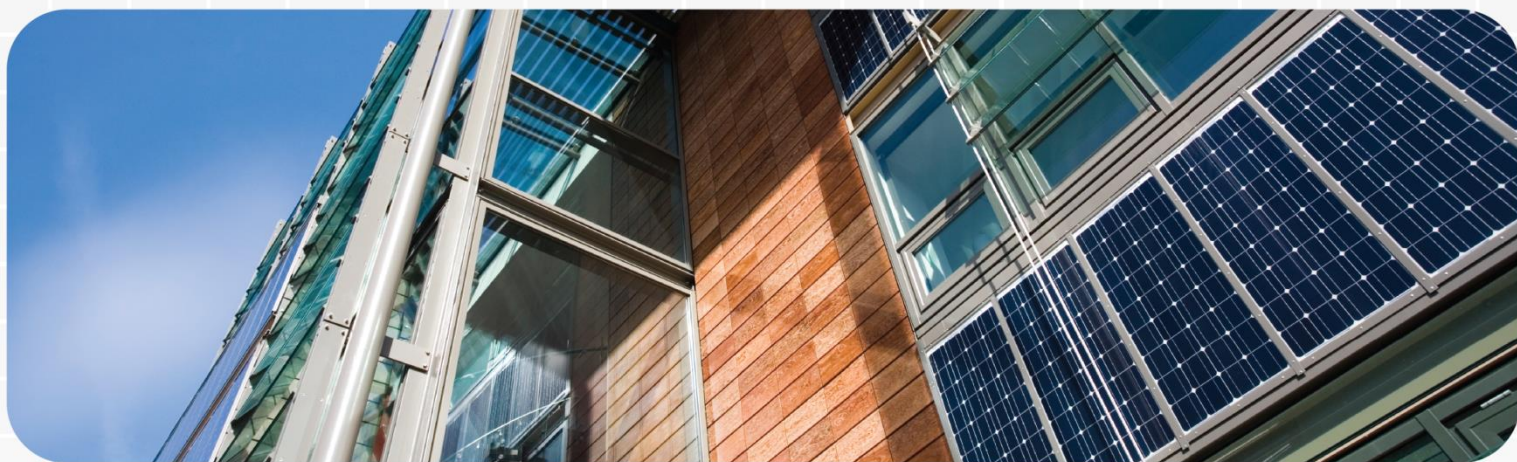




PHOENIX
ENERGY a.s.

2012 Annual Report



Phoenix Energy a.s.

ANNUAL REPORT 2012



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1. Letter of the Chairman of the Management Board



Dear Shareholders,

The year 2012 was significant for Phoenix Energy a.s. (formerly Photon Energy a.s.) as the restructuring process started in 2010 was completed. Due to the restructuring process and in the light of the planned termination of the support for renewable energies in the Czech Republic and Slovakia in 2013 as well as a high level of regulatory uncertainty for the photovoltaic sector in those countries, it was decided to discontinue the equipment wholesale and EPC activities of Phoenix Energy a.s. in both countries. The Company sold its 100% ownership interests both in Czech and Slovak companies.

Phoenix Energy a.s.' operating activities have been significantly reduced to administration and support activities for the remaining companies in the Phoenix Energy Group as well as the coordination of the R&D activities performed in the Czech Republic.

On 22 November 2012 Minority Shareholders Photon Energy B.V. (MSBV) acquired a controlling stake of 72,29% in Phoenix Energy a.s. through an agreement on the transfer of shares. On 19 December 2012, the Company changed its name from Photon Energy a.s. to Phoenix Energy a.s. and was sold out of the Photon Energy N.V. Group (PENV Group). PENV is in the process of entering new prospective markets for PV-generated electricity. MSBV further increased its stake to 74.12% by 23 January 2013.

After the reporting period, on 5 April 2013, the long-awaited public tender offer for shares in Phoenix Energy a.s., aimed at minority shareholders in Phoenix Energy a.s., was announced by MSBV and published on 12 April 2013 in the Commercial Gazette and on the website of Phoenix Energy a.s. Since the date of its Publication, the public tender offer for shares in Phoenix Energy a.s. was opened and the binding period lasted until 15 May 2013, 15:00 CET.

The aim of the tender offer was to enable minority shareholders of Phoenix Energy a.s. to acquire one share in Photon Energy N.V. for each one share in Phoenix Energy a.s. The controlling shareholders' aim was to allow minority shareholders to profit from the future growth of the PENV Group.

On 17 May 2013, with respect to the settlement of transactions made on the basis of the public tender offer to acquire shares in Phoenix Energy a.s, MSBV increased its share in the capital of Phoenix Energy a.s. to 96.58%.

MSBV has publicly announced its intention to squeeze out the remaining minority shareholders and provide them with cash compensation in accordance with Czech law. The preparations for the squeeze-out have been initiated.



Pavel Kolrus

Chairman of the Management Board

Prague, 1 July 2013

2. Selected Financial Information

Selected Financial Information

<i>in Thousands</i>	CZK		EUR		PLN	
	2011	2012	2011	2012	2011	2012
Revenues	649,524	275,238	26,418	10,936	108,580	44,974
Gross profit	213,187	76,951	8,671	3,058	35,638	12,574
EBITDA	58,786	-9,888	2,391	-393	9,827	-1,616
EBIT	-31,385	-41,824	-1,277	-1,662	-5,247	-6,834
Profit / loss before taxation	-130,170	-482,410	-5,295	-19,168	-21,760	-78,825
Net profit	-151,640	-539,736	-6,168	-21,446	-25,349	-88,192
Other comprehensive income	112,738	-3,017	4,586	-120	18,846	-493
Total comprehensive income	-38,902	-542,753	-1,582	-21,566	-6,503	-88,685
Fixed assets	2,112,276	691,808	81,871	27,518	364,876	112,088
Current assets	526,407	164,001	20,403	6,524	90,932	26,572
Cash and cash equivalents	119,387	11,728	4,627	467	20,623	1,900
Total assets	2,638,683	855,809	102,275	34,042	455,810	138,660
Total equity	471,842	70,997	18,288	2,824	81,507	11,503
Short-term liabilities	619,683	248,266	24,019	9,875	107,045	40,225
Long-term liabilities	1,547,158	678,540	59,967	26,991	267,258	109,938
Operating cash flow	-19,501	-5,499	-793	-219	-3,260	-899
Investment cash flow	-375,163	-89,260	-15,259	-3,547	-62,715	-14,585
Financial cash flow	453,876	-23,898	18,461	-950	75,874	-3,905
Net change in cash	59,212	-107,659	2,408	-4,278	9,898	-17,591
<i>CZK exchange rate – low</i>	-	-	24.010	24.750	5.510	6.000
<i>CZK exchange rate – high</i>	-	-	26.025	25.580	6.409	6.197
<i>CZK exchange rate – average</i>	-	-	24.586	25.167	5.982	6.120
<i>CZK exchange rate – end of period</i>	-	-	25.800	25.140	5.789	6.172

Note: Exchange rates provided by the Czech National Bank

Selected Multiples	<i>as of</i>	31.12.2011	31.12.2012
EV/Revenues (1)		2.64	3.41
EV/EBIT (1)		-54.67	-22.47
P/E		-1.28	-0.18
P/Total Compr. Income		-5.00	-0.18

Note: (1) Enterprise value is calculated as market capitalization minus cash and plus interest bearing debt

Selected share information	PLN
Opening price (1.1.2012)	1.48
52-week max (27.1.2012)	1.72
52-week min (14.9.2012)	0.37
Closing Price (31.12.2012)	0.70

All financial figures throughout this report are provided in Czech Crowns (CZK), figures stated in other currencies such as Euro (EUR) and Polish Zloty (PLN) are provided for information purposes only.

Figures provided in EUR and PLN were translated in accordance with IAS 21 as follows: Statement of Comprehensive Income - at the average exchange rate for given period; Statement of Financial Position - at the closing exchange rate for given period.

For simplicity, throughout this report following separators were used: point "." for decimals, comma "," for thousand and million.

3. Company introduction

3.1. Company profile

The company Phoenix Energy a.s. (originally “Photon Energy a.s.”, “the Company”, “we”, “PEAS” and “the Issuer”) was founded in 2008 in Prague in the Czech Republic and is a public joint-stock company listed on NewConnect (the alternative trading market of the Warsaw Stock Exchange in Poland).

The Company has primarily been an integrated developer of photovoltaic power plants in the Czech Republic and Slovakia. It pursued a comprehensive strategy of focusing both on green-field and rooftop installations while trying to cover the largest possible part of the value chain and lifecycle of the power plant. Through the range of services Phoenix Energy a.s. covered the downstream segment of the photovoltaic industry, from project origination and development through financing, design and engineering followed by construction and commissioning to the operations and maintenance.

In 2012, in the light of the ongoing termination of the support for renewable energies in the Czech Republic and Slovakia, a significant process of restructuring has been performed. Most of the Company’s subsidiaries were transferred to the parent company Photon Energy N.V. (“PENV”, a new Dutch-based holding company of the Photon Energy Group (“PENV Group”)) and the activities of the Company and its remaining subsidiaries (“Phoenix Energy Group”, “PEAS Group”) have been significantly reduced.

Subsequently, in December 2012, the Company changed its name from Photon Energy a.s. to Phoenix Energy a.s. and was sold out of the Photon Energy N.V. Group.

Phoenix Energy a.s. operations are mainly administration and support activities for the remaining companies in the Phoenix Energy Group as well as the coordination of the R&D activities performed in the Czech Republic.

3.2. Identification & Contact Details

Name: **Phoenix Energy a.s.**
 Legal form: joint-stock company
 Address: U Zvonařky 448/16, 120 00 Praha 2, Czech Republic
 Registration: Municipal Court in Prague, section B, file 13779
 Company No.: 28223250
 Tax No: CZ28223250
 Web address: www.phoenixenergy.as
 E-mail: info@phoenixenergy.com

3.3. History

Important events prior to the year 2009

- **2006/2007** – Michael Gärtner, former CEO co-develops one of the first industry-scale solar power plants in the Czech Republic,
- **01/2008** – four co-founders including Georg Hotar and Michael Gartner established Photon Energy a.s.,
- **09/2008** – capital rising of CZK 15 million (EUR 0.6 million) in the private placement,
- **10/2008** – listing on NewConnect, alternative system of trading run by the Warsaw Stock Exchange - the first non-Polish company listed,
- **12/2008** – Střešní burza (Solar roof exchange) website is officially launched.

Important events in the year 2009:

- **07/2009** – EPC contract - commissioning of 0.911 MWp PV plant in Milčice,
- **12/2009** – EPC contract - commissioning of 0.758 MWp PV plant in Zahořany,
- **12/2009** – completion of 0.795 MWp PV plant in Mostkovice for the proprietary portfolio,
- **12/2009** – EPC contract - commissioning of 1.026 MWp PV plant in Sychrov,
- **12/2009** – EPC contract - commissioning of 0.076 MWp in Ženské domovy 0.057 MWp in Svatoslav,

Important events in the year 2010:

- **07/2010** – EPC contract - commissioning of 0.200 MWp PV plant in Dvur Kralove,
- **08/2010** – EPC contract - commissioning of 0.057 MWp PV plant in Svatoslav,
- **10/2010** – EPC contract - commissioning of 1.494 MWp PV plant in Drnov,
- **10/2010** – EPC contract - commissioning of 7.617 MWp PV plant in Turany,
- **11/2010** – EPC contract - commissioning of 0.496 MWp PV plant in Zvikov,
- **11/2010** – commissioning of 2.031 MWp PV plant in Zvíkov for the proprietary portfolio,
- **12/2010** – EPC contract - commissioning of 0.662 MWp PV plant in Mostkovice,
- **12/2010** – commissioning of 2.305 MWp PV plant in Radvanice for the proprietary portfolio,
- **12/2010** – commissioning of 2.99 MWp PV plant in Zdice for the proprietary portfolio,
- **12/2010** – amendment to Czech Renewable Energy Act approved,
- **12/2010** – EPC contract - commissioning of 0.596 MWp PV plant in Slavkov,
- **12/2010** – commissioning of 1.159 MWp PV plant in Slavkov for the proprietary portfolio,
- **12/2010** – commissioning of 2.354 MWp PV plant in Komorovice for the proprietary portfolio,
- **12/2010** – EPC contract - commissioning of 0.499 MWp PV plant in Louny,
- **12/2010** – commissioning of 1.231 MWp PV plant in Svatoslav for the proprietary portfolio,
- **12/2010** – commissioning of 1.640 MWp PV plant in Dolni Dvoriste for the proprietary portfolio,
- **12/2010** – commissioning of 0.577 MWp PV plant in Mostkovice for the proprietary portfolio,
- **12/2010** – commissioning of 0.698 MWp PV plant in Blatna for the proprietary portfolio (share of 70%),
- **12/2010** – EPC contract - commissioning of 0.653 MWp PV plant in Prague,
- **12/2010** – EPC contract - commissioning of 0.032 MWp PV plant in Svatoslav surface,
- **12/2010** – EPC contract - commissioning of 0.999 MWp PV plant in Prsa,
- **12/2010** – commissioning of 0.319 MWp PV plant in Prsa for the proprietary portfolio (share of 60%),
- **12/2010** – commissioning of 0.998 MWp PV plant in Hrusov for the proprietary portfolio (share of 66%),
- **12/2010** – commissioning of 0.999 MWp PV plant in Babina II for the proprietary portfolio (share of 66%),
- **12/2010** – commissioning of 0.999 MWp PV plant in Babina III for the proprietary portfolio (share of 66%),
- **12/2010** – restructuring of the Group launched, establishment of subsidiaries in Netherlands and transfer of control to Photon Energy N.V.

Important events in the year 2011:

- **02/2011** – the sale of two 1 MWp photovoltaic projects in Slovakia (Energy Solutions s.r.o. and Energy Profit s.r.o.),
- **06/2011** – the completion and securing a grid connection for 6.8 MWp power plants in Slovakia,
- **06/2011** – divestment of 100% stake in 0.231 MWp PV power plant in Mostkovice, Czech Republic,
- **08/2011** – swap of shares in the Slovak power plants Hrusov, Babina II and Babina III,
- **11/2011** – securing grid connection for 261 kWp PV power plant in Verderio, Italy,
- **12/2011** – completion of the the construction of 1.3 MWp power plants in Germany.

Important events in the year 2012:

- **05/2012** – The Czech Constitutional Court rules to uphold the 26% levy on PV plants,

- **06/2012** – Transfer of assets from Photon Energy a.s. Group to Photon Energy N.V. Group,
- **06/2012** – Securing a grid connection for 1 MW photovoltaic project in Italy,
- **07/2012** – Sale of operating companies to Photon Energy Investments SK N.V.,
- **07/2012** – Suspension of trading in the Company's shares on NewConnect Market,
- **07/2012** – Change of the seat address,
- **08/2012** – Publication of the annual report for 2011 and restoration of trading in the Company's shares on New Connect Market,
- **09/2012** – Sale of three Czech subsidiaries – Photon Import s.r.o., Photon Trading s.r.o. and Photon Engineering s.r.o.,
- **12/2012** – Sale of Photon Energy a.s. out of the Photon Energy Group,
- **12/2012** – Photon Energy a.s. renamed to Phoenix Energy a.s.

3.4. Group Structure

The following table presents the Group's structure (subsidiaries and joint-ventures) and the holding company's stake in the entities comprising the Group as of 31 December 2012.

Name	% of share	% of votes	Country of registr.	Consolid. method	Legal Owner
1 Phoenix Energy a.s.	Holding Company		CZ	Full Cons.	MSBV
2 Photon Finance s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
3 Photon Electricity s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
4 Střešní Burza s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
5 Solární věčná břemena s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
6 Photon FinCo s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
7 GOLF CLUB GRYGÓV s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
8 Photon Photovoltaic EPC Services CZ	100%	100%	Cyp	Full Cons.	Phoenix Energy a.s.
9 Photon Energy Italia s.r.l.	100%	100%	IT	Full Cons.	Phoenix Energy a.s.
10 Photon Engineering Italia s.r.l.	100%	100%	IT	Full Cons.	Phoenix Energy a.s.

Notes:

MSBV – Minority Shareholders Photon Energy B.V.

Phoenix Energy – Phoenix Energy a.s., originally Photon Energy a.s.

Country of registration

CZ – the Czech Republic

Cyp – Cyprus

IT – Italy

Consolidation method:

Full Cons. – Full Consolidation

In 2012 a significant restructuring of the PEAS Group was performed and most of the subsidiaries were transferred to the new parent company, Photon Energy N.V.

All associates and joint ventures were sold out of the PEAS Group during 2012.

On 19 December 2012, the Company changed the name from Photon Energy a.s. to Phoenix Energy a.s. In the first three quarters of reporting the former name of the Company was used.

In March 2012 the Company signed share transfer agreements, from the Issuer to Photon Energy Investments SK N.V., seated in Amsterdam, which was 100% owned by Photon Energy N.V. (in December 2012 sold to a third party), the controlling shareholder of Photon Energy a.s.:

Name	% of share	% of votes	Country of registr.	Consolid. method	Legal Owner
1 Photon SK SPV 1 s.r.o.	50%	50%	SK	Equity	Photon Energy a.s.
2 Photon SK SPV 2 s.r.o.	100%	100%	SK	Full Cons.	Photon Energy a.s.
3 Photon SK SPV 3 s.r.o.	100%	100%	SK	Full Cons.	Photon Energy a.s.
4 EcoPlan 2 s.r.o.	100%	100%	SK	Full Cons.	Photon Energy a.s.
5 EcoPlan 3 s.r.o.	100%	100%	SK	Full Cons.	Photon Energy a.s.
6 SUN4ENERGY ZVB, s.r.o.	100%	100%	SK	Full Cons.	Photon Energy a.s.
7 SUN4ENERGY ZVC, s.r.o.	100%	100%	SK	Full Cons.	Photon Energy a.s.
8 Fotonika, s.r.o.	60%	50%	SK	Equity	Photon Energy a.s.
9 ATS Energy, s.r.o.	70%	70%	SK	Full Cons.	Photon Energy a.s.
10 Solarpark Myjava s.r.o.	50%	50%	SK	Equity	Photon Energy a.s.
11 Solarpark Polianka s.r.o.	50%	50%	SK	Equity	Photon Energy a.s.

All the considerations for the transfers of the Slovak SPVs were determined by the court appointed evaluator Equita Consulting s.r.o. and amounted to a total of CZK 125.58 million (EUR 4.99 million).

All the above transfers of entities from Phoenix Energy a.s. (originally Photon Energy a.s.) to Photon Energy N.V. and/or its subsidiaries were a part of the Group restructuring.

At the end of June 2012 the Company concluded sale agreements for the following equity ownership stakes to Photon Energy Investment SK N.V.:

Name	% of share	% of votes	Country of registr.	Consolid. method	Legal Owner
1 Photon Management s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy a.s.
2 Photon Corporate Services s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy a.s.
3 Photon SPV 1 s.r.o.	100%	100%	CZ	Full Cons.	PEI CZ NV
4 Photon SPV 2 s.r.o.	100%	100%	CZ	Full Cons.	PEI CZ NV
5 Photon SPV 5 s.r.o.	100%	100%	CZ	Full Cons.	PEI CZ NV
6 Photon SPV 9 s.r.o.	100%	100%	CZ	Full Cons.	PEI CZ NV
7 Solarpark Mikulov I s.r.o.	49%	49%	CZ	Equity	PEI CZ NV
8 Solarpark Mikulov II s.r.o.	30%	30%	CZ	Equity	PEI CZ NV
9 Photon Management Slovensko s. r. o.	100%	100%	SK	Full Cons.	Photon Energy a.s.
10 Photon Energy Investments CZ N.V.	100%	100%	NL	Full Cons.	Photon Energy a.s.
11 Photon Energy Polska Sp. z o.o.	100%	100%	PL	Full Cons.	Photon Energy a.s.
12 Photon Energy Australia Pty Ltd.	100%	100%	AUS	Full Cons.	Photon Energy a.s.
13 Photon Management Italia s.r.l.	100%	100%	IT	Full Cons.	Photon Energy a.s.
14 IPVIC GbR	15%	15%	DE	Not Cons.	Photon Energy a.s.
15 Photon Energy Deutschland GmbH	100%	100%	DE	Full Cons.	Photon Energy a.s.
16 Photon Engineering Deutschland GmbH	100%	100%	DE	Full Cons.	Photon Energy a.s.
17 Photon Management Deutschland GmbH	100%	100%	DE	Full Cons.	Photon Energy a.s.

In April 2012 on the basis of resolutions passed by the General Meeting of Shareholders, the following steps relating to the Czech SPVs were performed that have a direct impact on the PEAS Group:

- 1) Phoenix Energy a.s. (originally Photon Energy a.s.) contributed the receivables towards the below listed SPVs to the capital of Photon Energy Investments CZ NV (increase of capital by CZK 428,278 thousand).

List of SPVs, where receivables were the subject of the contribution:

Name	% of Consolidated share	% of Ownership share	Country of registration	Consolidation method	Legal Owner
1 Photon SPV 3 s.r.o.	100%	0%	CZ	Full Cons.	RLRE
2 Photon SPV 8 s.r.o.	100%	0%	CZ	Full Cons.	RLRE
3 Exit 90 SPV s.r.o.	100%	0%	CZ	Full Cons.	RLRE
4 Photon SPV 4 s.r.o.	100%	0%	CZ	Full Cons.	RLRE
5 Photon SPV 6 s.r.o.	100%	0%	CZ	Full Cons.	RLRE
6 Onyx Energy s.r.o.	100%	0%	CZ	Full Cons.	RLRE
7 Onyx Energy projekt II s.r.o.	100%	0%	CZ	Full Cons.	RLRE
8 Photon SPV 10 s.r.o.	100%	0%	CZ	Full Cons.	RLRE
9 Photon SPV 11 s.r.o.	100%	0%	CZ	Full Cons.	RLRE

Notes:

RLRE - Raiffeisen - Leasing Real Estate, s.r.o.

The receivables from the sale of the Czech SPVs from PEI SK NV were originally payable after the reporting period on 30 March 2013. Based on an amendment signed in December 2012, it is payable in 2018. The receivables from the sale of options to the Czech SPVs (via sale of PEI CZ NV) have partially been paid (CZK 25,638 thousands) on 3 August 2012 and the remaining amount (CZK 485,000 thousands) was originally payable after the reporting period as per 19 June 2013. Based on an amendment signed in December 2012, it is payable in 2018.

- 2) Phoenix Energy a.s. (originally Photon Energy a.s.) contributed the receivables towards Photon SPV 1 s.r.o. to the capital of Photon Energy Investments CZ NV (increase of capital by CZK 16,237 thousand).
- 3) Phoenix Energy a.s. (originally Photon Energy a.s.) sold Photon Energy Investments CZ NV to Photon Energy Investments SK NV for the value determined by the valuer.

The total amount of receivables as of the date of transfer was CZK 428,278 thousand (EUR 17.03 million). The value of Photon Energy Investments CZ NV determined by the court appointed valuer Equita Consulting s.r.o. was CZK 510,638 thousand (EUR 20.31 million). The total value of Photon Energy Investments CZ NV of CZK 510,638 thousand included also the value of options related to the RLRE SPVs. Their value was determined in the opinion to be CZK 54,859 thousand (EUR 2.18 million).

Additionally to the above described transfer of assets resulting from the restructuring, the following entities were sold completely out of the Group in September 2012 (December 2012 for Photon Engineering Slovensko s.r.o.):

Name	% of share	% of votes	Country of registr.	Consolid. method	Legal Owner
1 Photon Engineering s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy a.s.
2 Photon Trading s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy a.s.
3 Photon Import s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy a.s.
4 Photon Engineering Slovensko s. r. o.	100%	100%	SK	Full Cons.	Photon Energy a.s.

Total loss from the sale of those entities amounted to CZK 181,173 thousands.

In December 2012 Phoenix Energy a.s. was sold out of the Photon Energy Group, which currently has a new structure under Dutch legislation.

After the reporting period i.e. **on 6 February 2013** the Company signed a share transfer agreement with Ready made service s.r.o., seated in Prague, on the basis of which it sold 100% share interests in the following six subsidiaries:

Name	% of share	% of votes	Country of registr.	Consolid. method	Legal Owner
1 Photon Finance s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
2 Photon Electricity s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
3 Střešní Burza s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
4 Solární věcná břemena s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
5 Photon FinCo s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.
6 GOLF CLUB GRÝGOV s.r.o.	100%	100%	CZ	Full Cons.	Phoenix Energy a.s.

The total considerations for the above share interests amounted to CZK 3,519 thousands.

3.5. Our Activities

As mentioned in chapter 3.1, in 2012, in the light of the ongoing termination of the support for renewable energies in the Czech Republic and Slovakia, a significant process of restructuring has been performed and the operating activities of Phoenix Energy a.s. as a holding company of the Photon Energy Group have been significantly reduced. In December 2012 the Company was sold out of the Photon Energy Group.

The operations of Phoenix Energy a.s. are mainly planned to be administration and support activities for the remaining companies in Phoenix Energy Group as well as the coordination of the R&D activities performed in the Czech Republic.

3.6. Statutory bodies

In accordance with the legal requirements, the Company uses a two-tier board structure consisting of the Management Board and Supervisory Board.

3.6.1. Management Board

The Management Board is responsible for day-to-day operations of the Company. The Management Board consists of three members. The decision of the Management Board needs to be approved by at least two members.

Management Board Members as of 31 December 2012

Name	Position	Date of birth	Member since	Member replaced
Pavel Kolrus	Chairman	14.06.1984	8.10.2012	to date
Vlastimil Matula	Vice-chairman	12.04.1979	8.10.2012	to date
Eduard Kirchner	Member	19.04.1949	10.12.2012	to date

In the reporting period i.e. on 8 October 2012, the General Meeting of the Company recalled Mr. Michal Gärtner, Mr. Georg Hotar and Ms. Petra Bednarova from the functions of members of the Board of Directors and elected new board members i.e. Mr. Martin Olic, Mr. Pavel Kolrus and Mr. Vlastimil Matula as new Board Members. The resolution was effective since the date it was adopted by the General Meeting.

On 24 October 2012, the Management Board held a meeting of new, elected board members and decided that in accordance with the article 25 of the Company's Articles of Association new members of the Management Board need to elect a chairman and a vice-chairman of the Board. Therefore, the Board members elected Mr. Pavel Kolrus as Chairman of the Management Board and Mr. Vlastimil Matula as vice-chairman of the

Management Board.

On 10 December 2012, an extraordinary general meeting of shareholders recalled Mr. Martin Olič from the function of the Management Board member and elected Mr. Eduard Kirchneras a new member of the Management Board, effective as of the date of the election.

3.6.2. Supervisory Board

The Supervisory Board is responsible for supervising the conduct of the Management Board and the course of business affairs undertaken by it. In performing its duties, the Supervisory Board is required to act in the interests of the Company and its business activities as a whole. The members of the Supervisory Board are not, however, authorised to represent the Company in any dealings with third parties.

Supervisory Board Members as of 31 December 2012

Name	Position	Date of birth	Member since	Member replaced
Daniel Goris	Chairperson	13.02.1977	08.10.2012	Magda Gärtnerová
Dennis de Rijk	Member	14.07.1977	08.10.2012	Peter Novotny
Mirko d'Alberto	Member	31.08.1973	10.12.2012	Ondřej Moštěk

On 1 March 2012 Petra Bednářová, the Chairwoman of Supervisory Board, resigned as member of the Supervisory Board. Her resignation was discussed and accepted during the Supervisory Board meeting held on the same day. Petra Bednářová ceased to be a member of the Supervisory Board as of 4 March 2012 in accordance with her request. The reason for Ms. Bednářová's resignation was the fact that she was to be a candidate to the Management Board of Photon Energy a.s. elected by Extraordinary Shareholders' Meeting on 5 March 2012.

On 1 March 2012, the Supervisory Board elected Mr. Jiří Mazánek as the new Chairman of Supervisory Board, effective since the day of his election.

When Petra Bednářová resigned from being a member of the Supervisory Board, only two members were a part of the Supervisory Board - Mr. Jiri Mazanek and Mrs. Magda Gärtnerová. Therefore, on 28 March 2012, in accordance with § 34 of the Articles of Association, the chairman of the Supervisory Board Mr. Jiri Mazanek called for a vote in the course of which Mr. Peter Novotny was elected as third Supervisory Board Member. Mr. Peter Novotny replaced Ms. Petra Bednářová, until the next general meeting of shareholders. Mr. Novotny was elected as a Supervisory Board Member by the general meeting of shareholders held on 30 April 2012, with immediate effect.

On 16 July 2012 Mr. Jiří Mazánek, the Chairman of the Supervisory Board, resigned from being a member of the Supervisory Board. His resignation was discussed and accepted during the Supervisory Board meeting held on 19 July. Therefore Mr. Mazánek ceased to be a member of the Supervisory Board as of 19 July 2012. On 19 July 2012, the Supervisor Board elected Mr. Peter Novotny as a new Chairman of the Supervisory Board, with immediate effect.

On 8 October, the General Meeting of the Company recalled Mr. Peter Novotny and Mrs. Magda Gärtnerová from the functions of members of the Supervisory Board and elected new board members i.e. Mr. Ondřej Moštěk, Mr. Daniel Goris and Mr. Dennis de Rijk as new Supervisory Board members. The resolution was effective since the date it was adopted by the General Meeting.

On 10 December 2012, an extraordinary meeting of shareholders recalled Mr. Ondřej Moštěk from the function

of the Supervisory Board member and elected Mr. Mirko d'Alberto for the position of the third Supervisory Board member. The resolution was effective since the date it was adopted by the General Meeting. After the reporting period, i.e. on 20 February 2013, the Supervisory Board meeting was held during which Mr. Daniel Goris was elected as the Supervisory Board Chairman. The resolution was effective since the date of the election.

3.6.3. Employees

Due to the restructuring process and a significant reduction of the operating activities of Phoenix Energy a.s, as of 31 December 2012 four employees were employed by the Company.

In 2012 the Company deployed the Employee Share Purchase Programme as a part of its motivation system. (For more information, please refer to "Share Purchase programme" in chapter 3.6.4.)

3.6.4. Shares & shareholder structure

Market: NewConnect, Poland
Ticker: PHO
Web address: www.newconnect.pl

Share Capital as of 31 December 2012

Series (issue)	Type of shares	Type of preference	Limitation of share right	Number of shares	Nominal value of series (issue) [CZK]	Capital covered with	Nominal value per share [CZK]
A	bearer	-	-	23,000,000	2,300,000	cash	0.1
Total number of shares				23,000,000			
Total registered capital (CZK)					2,300,000		

As of 31 December 2012 there were no changes to the Company's share capital following the private placement on NewConnect. The Company shares are issued in a certificate form and were deposited (dematerialized) in the Central Polish Depository of Shares (KDPW).

Authorized Advisor and Animator:

In January 2011 the Company decided to terminate the service agreement with its Authorized Advisor CMS Corporate Management Services after over two years of being listed on New Connect. The agreement was terminated as of 31 January 2011. In 2012 the Company did not have any Authorized Advisor.

Animator Details:

Name: CYRRUS, a.s.
Address: Veveří 111, 616 00 Brno, Czech Republic
Web address: www.cyrrus.cz

Shareholder Structure

The Company's share capital is CZK 2,300,000 divided into 23,000,000 shares with a nominal value of CZK 0.10 each. The share capital is fully paid-up. All shares represent one vote at the General Meeting of Shareholders.

All shares of the Company were admitted to trading on NewConnect. As of 21 November 2012, to the knowledge of the Management, the shareholder structure was as follows:

Shareholder Structure

Shareholder	No. of shares	% of capital	No. of votes at the General Shareholders' Meeting	% of votes at the General Shareholders' Meeting
Photon Energy N.V.	16,627,312	72.29%	16,627,312	72.29%
Free float	6,372,688	27.81%	6,372,688	27.81%
Total	23,000,000	100.00%	23,000,000	100.00%

To the knowledge of the Management Board, Photon Energy N.V. became a majority shareholder of the Company in December 2010. Mr. Michal Gärtner and Mr. Georg Hotar were the final beneficial owners of Photon Energy N.V.

On 22 November 2012 Minority Shareholders Photon Energy B.V. (MSBV) acquired 16,627,312 shares in the capital of Phoenix Energy a.s. and hence it increased its shares in the capital of the Company from 0% to 72.29 % becoming a major shareholder.

Minority Shareholders Photon Energy B.V. is a Dutch-based entity fully owned by two Dutch cooperatives: Solar Future Coöperatief U.A. controlled by Michael Gartner and Solar Power to the People Coöperatief U.A. controlled by Georg Hotar. The Board of Directors has one member – Mr. Georg Hotar, acting independently.

Shareholder Structure as of 1 July 2013

Shareholder	No. of shares	% of capital	No. of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Minority Shareholders Photon Energy B.V.	22,214,206	96.58%	22,214,206	96.58%
Free float	785,794	3.42%	785,794	3.42%
Total	23,000,000	100.00%	23,000,000	100.00%

After the reporting period on 23 January 2013, MSBV increased its stake further to 74,12%. Furthermore, on 17 May 2013, with respect to the settlement of transactions made on the basis of the public tender offer to acquire shares in Phoenix Energy a.s., held between 12 April 2013 and 15 May 2013, MSBV increased its shares in the capital of Phoenix Energy a.s. and currently owns 22,214,206 shares in the Company, which represent 96.58% of the share capital of the Company and give a right to exercise 22,214,206 votes at the general meeting of the Company, which represents 96.58% of all voting rights.

Share Purchase Programme

In 2012 the Photon Energy Group continued the Employee Share Purchase Programme as a part of its motivation system. Under the terms of the programme, the Group periodically purchased shares for each employee (originally and currently employed (as of 31 December 2012)) equal to 10% of their gross wage. The disposition rights to these shares are limited and employees can dispose of these shares only after their job contract is terminated.

Costs related to the Share Purchase Programme in year 2012 amounted to CZK 987 thousand versus CZK 1,809 thousand in 2011.

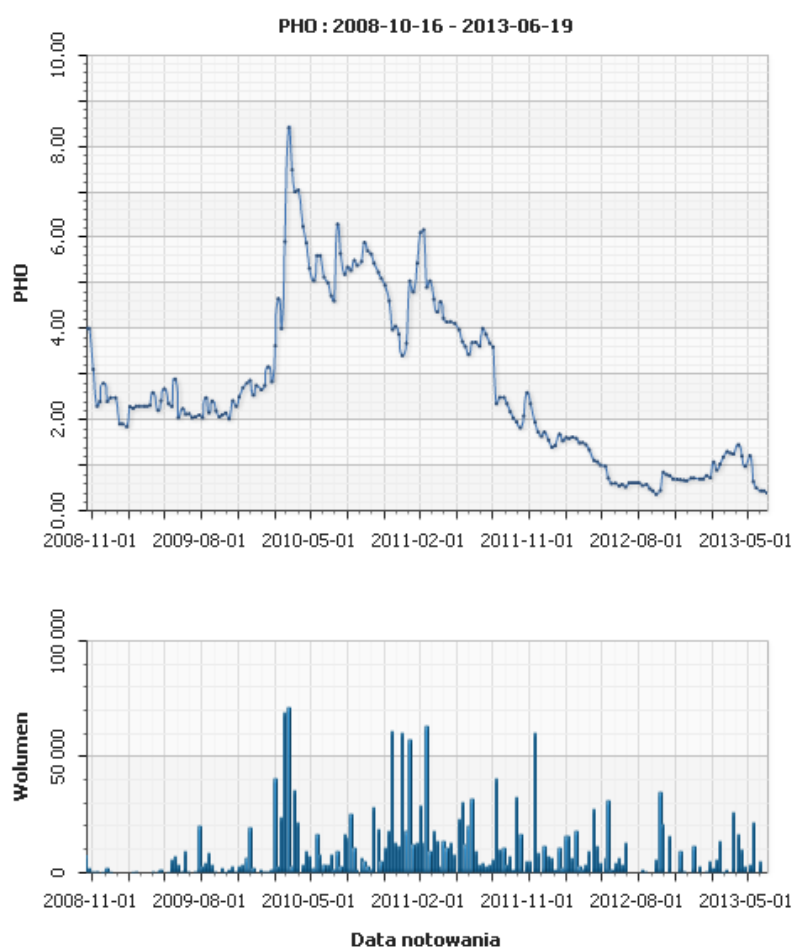
Share performance in 2012

Selected share information	PLN
Opening price (2.1.2012)	1.48
52-week max (27.1.2012)	1.72
52-week min (7.9.2012)	0.37
Closing Price (28.12.2012)	0.70

Note: (1) Based on the exchange rate in the period stated

The average trading volume in year 2012 amounted to 11,170 shares per trading session and decreased from an average volume of 18,227 shares in year 2011.

Chart 3. Performance of Photon Energy Shares



Source: www.newconnect.pl

3.6.5. Dividend policy

The Management Board of the Company does not expect any dividend distribution to shareholders in the foreseeable future.



4. Report of the Management Board

4.1. Basic exposures and risks

4.1.1. Operating & financial risks

In 2012, a significant process of restructuring has been performed and the operating activities of Phoenix Energy a.s. have been significantly reduced. The Company's operations are administration and support activities for the remaining companies in the Phoenix Energy Group as well as the coordination of the R&D activities performed in the Czech Republic.

The main risk affecting the Company can be due to the changes in the regulatory, legislative and fiscal framework (including tax rules) governing the production of energy using PV installations in the Czech Republic and its profitability. It could have a material impact on the operations of many companies in the photovoltaic sector which of the following can result in increasing competitiveness and reducing the profitability of the business because of lower revenue and many challenges.

Operational risk: The economic viability of energy production using photovoltaic power plants installations depends on Feed-in-Tariff (FiT) systems. The FiT system can be negatively affected by a number of factors including, but not limited to, a reduction or elimination in the FiT or green bonus per KWh produced, an elimination or reduction of the indexation of the FiT and a shortening of the period for which the FiT applies to photovoltaic installations. On the investment side the Company faces uncertainty in relation to the approval process for the construction of photovoltaic installations, grid connection and the investment cost per KWp of installed capacity. The operating and financial results of the Company can be seriously affected by a sudden or significant change in the regulatory environment in each of the countries where the Company or its subsidiaries conduct business.

Competitive situation: At the present moment the development of power plants using PV technology is highly competitive. The Company competes with other companies with an equal or larger resource base. There can be no assurance that the Company will be able to respond to existing and new sources of competition.

Currency risk: The Company is exposed to a currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Company's entities, mainly against the Euro/CZK currency risk.

Credit risk: Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, including the electricity distributors and investment securities.

Liquidity risk: Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Interest risk: Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It is measured by the extent to which changes in market interest rates impact on net interest expense.

4.1.2. Political, economic and other uncertainties

Since the Company's operating activities as the holding company have been significantly reduced, there are no significant political, economic or other uncertainties. However, the Company is registered in the Czech Republic, where changes in the regulatory legislative and fiscal framework (including tax rules) governing the energy production using PV installations could have a material impact on the Company's operations.

During the fourth quarter of 2010, the Czech parliament and the Czech government approved several changes in the legal framework governing certain aspects of the photovoltaic and other industries. Those changes included mainly: (i) a 3 years tax levy (valid for 2011 – 2013), newly introduced into the Czech tax system, of 26% on the revenues of photovoltaic power plants above 30kWp of installed capacity, completed in the years 2009 and 2010, (ii) the abolishment of a six-year corporate income tax exemption for photovoltaic power plants, and (iii) a tenfold increase of the contractual fees previously agreed between the photovoltaic power plant operators and the state Land Fund for the extraction of certain classes of land from the state fund.

There is a certain risk that the validity of these measures could be extended and/or new measures could be introduced such that they would affect already completed photovoltaic investments and as mentioned above in chapter 4.1.1. it could have a material impact on the operations of many companies in the photovoltaic sector which of the following can result in increasing competitiveness and reducing the profitability of the business because of lower revenue and many challenges.

4.2. Market description¹ and market share in 2012

The Company's portfolio was predominantly located within the Czech Republic and Slovakia, with minor installations in Italy. In 2012 in the light of planned termination of the support for renewable energies in the Czech Republic and Slovakia in 2013 as well as a high level of regulatory uncertainty for the photovoltaic sector in both countries, it was decided to discontinue the equipment wholesale and EPC activities of Phoenix Energy a.s. in the Czech Republic and Slovakia through the divestment. The Company sold its 100% ownership interests both in Czech and Slovak companies. There was no market development and no increase of market share.

Czech Republic

After two very dynamic years, the PV market in the Czech Republic was moribund in 2011. Only 6 MWp of new systems were connected to the grid, compared to almost 1.5 GWp in 2010. The key reasons were a fall of state support by more than 45%, limiting it to small rooftop systems and a so-called grid freeze. In 2012 the Czech Republic finally installed 113 MWp, a more important achievement than expected but far from the booming levels of 2009 and 2010.

The current tax levy equals 26% of revenues from the sale of electricity in solar power plants located in the Czech Republic and is, based on the current legislation, applicable for 2011-2013. Given the negative image of PV today in the Czech Republic among politicians, grid operators and a majority of citizens, the future of PV is very uncertain. The key to restarting this market lies in residential and small rooftop segments, which are socially more "acceptable" for electricity consumers and which can minimise transmission network congestion on very sunny days and during low-consumption periods.

¹ After European Photovoltaic Industry Association "Global market outlook" May 2013, www.epia.org

Slovakia

Slovakia experienced a relative boom at the end of 2011 and the first semester of 2012, but the volume of installations declined with newly installed capacity amounting to only 15 MWp (compared to 321 MWp in 2011) with a cumulative installed capacity of 523 MWp. Slovakia has been experiencing a situation similar to the Czech Republic. Overwhelmed by the rapid development of large-scale systems, the government has since July 2011 limited the support scheme to systems of up to 100 kWp. The level of tariffs has been dramatically reduced in 2012 to slightly below 0.20 €/kWh over 15 years, making PV investment less attractive than in neighbouring countries.

4.3. Summary of the major achievements in 2012

As described in chapter 4.2, due to the restructuring process and significant reducing of the operating activities of Phoenix Energy a.s., there were no significant achievements accomplished by the Company in 2012.

As a result of the legal framework conditions in the Czech Republic and Slovakia, the Company did not expand further into these markets.

4.4. Important events in 2012, which had material impact on the Group's business

In 2012, a significant process of restructuring has been performed. Most of the subsidiaries of Phoenix Energy a.s. (originally Photon Energy a.s. (PEAS)) were transferred to the parent company Photon Energy N.V., a new Dutch-based holding company of the Photon Energy (PENV) Group and activities of the Company and remaining subsidiaries have been significantly reduced.

In December 2012, the following steps related to the sale of PEAS Group have been performed:

- 1 all shares of Photon Energy a.s. held by Photon Energy N.V. (PENV) were transferred to Minority Shareholders Photon Energy B.V. (MSBV), owned by the shareholders through their holding entities: Solar Future Cooperatief U.A. (SF) and Solar Power to the People Cooperatief U.A. (SP) and were contributed as additional contribution in kind. No new shares of MSBV were issued and the value of contributed shares is regarded as a non-stipulated share premium.
- 2 PENV transferred all shares it held in MSBV to SP and SF.

Following these steps Photon Energy a.s. is no longer part of the Photon Energy Group. Subsequently, Photon Energy a.s. has been renamed with effective date as of 19. 12. 2012 to Phoenix Energy a.s.

Except for the parent company Photon Energy N.V, the sold entity Phoenix Energy a.s. (originally Photon Energy a.s.) also had minority shareholders. During the process of restructuring, where significant assets were transferred from PEAS Group to PENV Group, the controlling shareholders committed themselves to perform a share swap from PEAS to PENV, in order not to harm the rights of the minority shareholders.

Minority shareholders Photon Energy B.V. (MSBV), the Bidder, intended to acquire all shares currently owned by the minority shareholders in Phoenix Energy a.s. and in return provided them with an opportunity to buy shares in Photon Energy N.V., in such a way that for each share sold within the public tender offer, minority shareholders are entitled to buy one share in Photon Energy N.V. Alternatively, shareholders who accepted the tender offer and did not use their right to acquire shares in Photon Energy N.V., would be compensated in cash. On 17 May 2013, with respect to the settlement of transactions made on the basis of the public tender offer to acquire shares in Phoenix

Energy a.s. held between 12 April and 15 May 2013, MSBV increased its share in the capital of Phoenix Energy a.s. to 96.58%.

4.5. Future plans

In the light of planned termination of the support for renewable energies in the Czech Republic and Slovakia in 2013 as well as a high level of regulatory uncertainty for the photovoltaic sector in these countries, the Company does not intend to further expand into these markets.

Phoenix Energy a.s. was sold out of the PENV Group in December 2012 and its operations are mainly administration and support activities for the remaining companies in the PEAS Group, as well as the coordination of the R&D activities in the Czech Republic.

MSBV has publicly announced its intention to squeeze out the remaining minority shareholders and provide those shareholders with cash compensation in accordance with Czech law. The preparations for the squeeze-out have been initiated.

4.6. Financial Ratios

Selected financial ratios for consolidated performance are presented below.

Financial Ratios – Consolidated	2011	2012
Profitability		
Net Profit / Revenues	-23.3%	-196.1%
Return on Equity (Net profit / Total equity)	-32.1%	-760.2%
Return on Assets (Net profit / Total assets)	-5.7%	-63.1%
Liquidity		
Quick ratio ((Cash +Account receivables) / Current liabilities)	0.49	0.66
Current ratio (Current Assets / Current liabilities)	0.85	0.66
Working Capital		
Net Working Capital (CZK '000) (Current assets - Current liabilities)	-93,276	-84,265
Net Working Capital / Total Assets	-0.04	-0.10
Indebtness		
Financial Debt / Total Assets	0.62	1.00
Financial Debt / EV	0.96	0.91
Financial Debt / Market Cap	8.44	8.58

4.7. Authorised Advisors Remuneration

In 2012 Phoenix Energy a.s. did not collaborate with any Authorized Advisor.

4.8. Statutory Auditor Remuneration

Total remuneration of the Company's auditor AUDITORSKÁ A DAŇOVÁ KANCELÁŘ in the year 2012 amounted to CZK 75 thousand and includes fees for a full-year review of 2012 financial statements.

4.9. NewConnect's Good Practices not applied in 2012

According to the requirements published by the NewConnect we provide list of Good Practices applied and applied by the Company.

	Rule	Comment
1	The company should maintain a transparent and effective information policy, both using traditional methods and modern technology, ensure quickness, security and broad access to information.	Applied
	Company using those methods, should provide adequate communication with investors and analysts, by:	
	a) providing broadcast of general meetings using the Internet;	Not applied due to legal compliance requirement for transmission of personal data
	b) recording general meetings and publish it on the website.	Not applied, explanation the same as above.
2	The company should provide efficient access to information necessary to evaluate the situation and prospects of the company	Applied
3	The company maintains a corporate website and posts on it :	Applied
3.1	basic information about the company and its activities (home page)	Applied
3.2	description of issuers activity, indicating the type of business, from which the issuer receives the most revenue	Applied
3.3	description of a market, with the issuer's position in this market	Applied
3.4	CV's of the members of governing bodies	Not applied
3.5	statement on relations between the Supervisory Board Members and shareholders for shareholders owning more than 5% of companies shares	Applied
3.6	corporate documents of the company: Statute, excerpt from the registry	Applied
3.7	outline of the strategic plans of the company	Applied
3.8	published projections of financial results for the current financial year together with the forecasts (in case where the issuer publish)	Not applied
3.9	shareholder structure, with indication of the main shareholders and the free float shares	Applied
3.10	contact details to the person responsible for investor relations and contacts with media	Applied
3.11	annual report of the activity of the Supervisory Board and Management Board	Applied
3.12	published current and periodical reports	Applied ²

² In 2012 the publication of the annual report for 2011 was delayed because the Company had not received the auditor's opinion on the audit of the annual financial statement for the year 2011 on time. Because of that, trading in the Company's shares on NewConnect Market had been suspended until the opinion was disclosed and the report was published (02.08.2012).

3.13	calendar of scheduled dates of publication of financial reports, dates of GA, meetings with investors and analyst and press conferences	Applied
3.14	information on corporate events: dividend payment, and other events which resulted in the purchase or restriction on the rights of shareholders, including time limits and rules for carrying out these operations. This information should be provided in time to enable them to take investment decisions by investors	Applied
3.15	information about the date and place of the GA, the agenda and draft resolutions, as well as other available materials associated with the company's GA, at least 14 days before the date of meeting	Applied
3.16	shareholder's questions relating to GA's agenda, asked before and during the general meeting, along with answers	Applied
3.17	information on the reasons for cancellation of the GA, changes to the date or agenda, together with the reasons	Applied
3.18	information about the break in the proceedings of the GA together with the reasons	Applied
3.19	information of Authorized Advisor (name, address, phone number, e-mail)	Not applied – no Authorized Advisor in 2012
3.20	information of Animator (name, address, phone number, e-mail)	Applied
3.21	information document (prospectus), published in the last 12 months	Applied
3.22	in the case of the introduction of the company's incentive scheme based on shares or similar instruments - information about the projected costs to be incurred by the company in connection with its introduction	Applied
Information on web site should be inserted to allow easy access to this information. The Issuer should update information placed on the web site. In case of new, relevant information or significant change in the information provided on the website, update should be carried out immediately		-
4	The Company maintains a corporate website, at the option of the issuer, in English or Polish. Current and periodical reports should be provided on the website at least in the same language, which follows the publication in accordance with the rules of the issuer.	Applied
5	It is highly recommended to use a dedicated to the individual investor's needs section of: www.GPWInfoStrefa.pl	Not applied – On its website the Company provides a separate investor relations section that provides individual investors with access to sufficient information about the Company.

4.10. Summary of information disseminated

These are the key events for the Company's and Group' operations since 1 January 2012 until 31 December 2012:

- EBI 1/2012: Monthly report for December 2011
- EBI 2/2012: Annual report for year 2010
- EBI 3/2012: Announcement on the convocation of the extraordinary general meeting of shareholders
- EBI 4/2012: Summary on the PV projects completed
- EBI 5/2012: Letter to shareholders
- EBI 6/2012: Monthly report for January 2012
- EBI 7/2012: Consolidated report for 2011 Q4
- EBI 8/2012: Entity report for 2011 Q4
- EBI 9/2012: Translation of quarterly reports for Q4 2011
- EBI 10/2012: The Minutes of Extraordinary Meeting of Shareholders on 5 March 2012
- EBI 11/2012: Changes to the Supervisory Board
- EBI 12/2012: Monthly report for February 2012
- EBI 13/2012: New Supervisory Board Member elected
- EBI 14/2012: Announcement about Extraordinary Meeting of Shareholders
- EBI 15/2012: The Minutes of Extraordinary Meeting of Shareholders on 30 March 2012.
- EBI 16/2012: Transfer of shares from Photon Energy a.s. to Photon Energy N.V.
- EBI 17/2012: Announcement about Extraordinary Meeting of Shareholders
- EBI 18/2012: Monthly report for March 2012
- EBI 19/2012: Divestment of three German rooftop projects
- EBI 20/2012: The Minutes of Extraordinary Meeting of Shareholders on 30 April 2012
- EBI 21/2012: Translation of the Minutes of General Meeting on 30 April 2012
- EBI 22/2012: Monthly report for April 2012.
- EBI 23/2012: Photon Energy N.V. mandates Capital Solutions proAlfa as Nominated Advisor.
- EBI 24/2012: Quarterly report for 2012 Q1
- EBI 25/2012: The Czech Constitutional Court rules to uphold the 26% levy on PV plants
- EBI 26/2012: Monthly report for May 2012.
- EBI 27/2012: Periodic report for the period from 1 January until 31 December 2011
- EBI 28/2012: Transfer of assets from Photon Energy a.s. to Photon Energy N.V.
- EBI 29/2012: Securing a grid connection for 1 MW photovoltaic project in Italy
- EBI 30/2012: Sale of operating companies to Photon Energy Investments SK N.V.
- EBI 31/2012: Information about a new reporting date of audited financial statements
- EBI 32/2012: Appeal against the decision nr 649/2012 of Warsaw Stock Exchange of 4th July 2012
- EBI 33/2012: Monthly report for June 2012
- EBI 34/2012: Response from the WSE to the Company's appeal against the decision nr 649/2012 of the WSE dated 4 July 2012 - suspension of trading in the Company's shares on NewConnect Market
- EBI 35/2012: Resignation of the Supervisory Board member
- EBI 36/2012: Change of the seat address
- EBI 37/2012: Change of the reporting date of the annual report
- EBI 38/2012: Annual report for year 2011
- EBI 39/2012: Monthly report for July 2012
- EBI 40/2012: Quarterly report for Q2 2012
- EBI 41/2012: Date of publication of the auditor's report to unconsolidated financial statements
- EBI 42/2012: The auditor's report to unconsolidated financial statements
- EBI 43/2012: Announcement about the convocation of the general meeting of shareholders
- EBI 44/2012: Sale of three subsidiaries
- EBI 45/2012: Engagement letter signed with C'M'S' Derks Start Busmann N.V.

- EBI 46/2012: Monthly report for August 2012
- EBI 47/2012: Drafts of the resolutions for AGM to be held on 8 October 2012
- EBI 48/2012: The Minutes of the General Meeting of Shareholders held on 8 October 2012
- EBI 49/2012: Monthly report for September 2012
- EBI 50/2012: Convocation of the Extraordinary General Meeting of Shareholders on 10 December 2012
- EBI 51/2012: Monthly report for October 2012
- EBI 52/2012: Quarterly report for Q3 2012
- EBI 53/2012: The draft of resolutions of EGM on 10 December 2012
- EBI 54/2012: The Minutes from Extraordinary Meeting of Shareholders on 10 Dec 2012
- EBI 55/2012: Monthly report for November 2012
- EBI 56/2012: Change of the name of the Company

These are the key events for the Company's and Group' operations since 1 January 2013 until the date of this report:

- EBI 1/2013: Dates of publishing periodic reports in 2013
- EBI 2/2013: Monthly report for December 2013
- EBI 3/2013: Sale of six subsidiaries
- EBI 4/2013: Quarterly report for Q4 2012
- EBI 5/2013: Election of the Chairman of the Supervisory Board
- EBI 6/2013: Tender offer from Minority Shareholders Photon Energy B.V.
- EBI 7/2013: Tender offer addressed to the minority shareholders in Phoenix Energy a.s.
- EBI 8/2013: The public tender offer for shares in Phoenix Energy a.s.
- EBI 9/2013: Quarterly report for Q1 2013
- EBI 10/2013: Result of the public tender offer

4.11. Statement of Relations

Statement on relations between the Supervisory Board Members and shareholders owning more than 5% of the Company's shares

According to the knowledge of the Management Board, following relations existed between the Supervisory Board Members and shareholders owning more than 5% of shares:

Shareholder Structure as of 1 July 2013

Shareholder	% of capital
Minority Shareholders Photon Energy B.V.	96.58%

Minority Shareholders Photon Energy B.V. is a Dutch-based entity fully owned by two Dutch cooperatives: Solar Future Coöperatief U.A. controlled by Michael Gartner and Solar Power to the People Coöperatief U.A. controlled by Georg Hotar, the founders and former members of Management Board of the Company in 2012. The Board of Directors has one member – Mr. Georg Hotar, acting independently.

Supervisory Board Members as of 1 July 2013

Name and surname	Position	Relations to the Company	Relations to shareholders
Daniel Goris	Chairperson	Employee	none
Dennis de Rijk	Member	Employee	none
Mirko d'Alberto	Member	Employee	none

The Management Board informs that there are no personal relations between the current members of the Supervisory Board and shareholders owning more than 5% of the Company's shares.

In 2012, Magda Gärtnerová, who is a wife of Michael Gärtner, the co-founder of the Company, was a member of the Supervisory Board of Phoenix Energy a.s. She was recalled from this function on 8 October 2012.

4.12. Activities in R&D

Phoenix Energy a.s. has not undertaken any research and development activities in year 2012.

4.13. Material off-balance sheet items

The PEAS Group or Phoenix Energy a.s. has not had any material off-balance sheet items in year 2012.

4.14. Management Board statements

Management Board's statement concerning reliability of prepared financial statement for the year 2012 and report on the Company's activity

The Management Board declares that according to their best knowledge the audited consolidated IFRS financial statements, which were derived from local financial statements, were prepared in accordance with International Financial and Reporting Standards and further declares that they present a true and fair view of the Company's property and financial situation and its financial result as of the date of the publication of this report and that the report on the Report of the Management Board presents a fair view of the Issuer's situation, including a description of basic exposures and risks.



Pavel Kolrus
Chairman of the Management Board



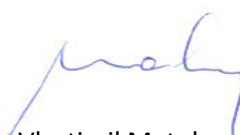
Vlastimil Matula
Vice-Chairman of the Management Board

Management Board's statement concerning the entity entitled to audit the annual financial statement for the year 2012

The Management Board declares that the entity authorised to audit financial statements which audited annual consolidated financial statements was selected in accordance with legal regulations and that such entity and certified auditors who audited these statements met conditions to express their impartial and independent opinion on the audit, in accordance with relevant regulations of local law.



Pavel Kolrus
Chairman of the Management Board



Vlastimil Matula
Vice-Chairman of the Management Board

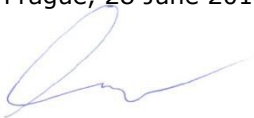
5. Financial Section

5.1. Audited IFRS consolidated financial statements for 2012

Phoenix Energy a.s.

Consolidated Financial Statements for the year ended 31 December 2012

in Prague, 28 June 2013



Pavel Kolrus
Chairman of the Board of Directors



Vlastimil Matula
Vice-chairman of the Board of Directors

Consolidated statement of comprehensive income

for the year ended 31 December 2012

In thousands of CZK

	Note	2012	2011
Revenue	10	275,238	649,524
Cost of sales	11	(169,888)	(382,184)
26% tax levy	14	(28,399)	(54,153)
Gross profit		76,951	213,187
Other income	12	6,802	6,339
Administrative expenses	14	(42,341)	(73,655)
Personnel expenses	14	(45,115)	(57,895)
Other expenses	13	(6,185)	(29,190)
Depreciation	11	(31,936)	(90,171)
Results from operating activities		(41,824)	(31,385)
Interest income	15	13,235	3,969
Other finance income	15	-	12,086
Interest costs	15	(72,612)	(104,034)
Other finance costs	15	(380,658)	(13,315)
Net finance costs	15	(440,035)	(101,294)
Share of profit (loss) of equity-accounted investees (net of tax)		(551)	2,509
Profit (loss) before income tax		(482,410)	(130,170)
Income tax expense	16	(57,326)	(21,470)
Profit (loss) for the year		(539,736)	(151,640)
Other comprehensive income			
Revaluation of property, plant and equipment	17	-	89,278
Foreign currency translation difference - foreign operations	24	(3,017)	5,321
Share of revaluation of PPE of associates/joint ventures	24	-	16,863
Share of currency translation differences of associates/joint ventures	24	-	1,276
Other comprehensive income for the year, net of tax		(3,017)	112,738
Total comprehensive income for the year		(542,753)	(38,902)
Profit (loss) attributable to:			
Attributable to owners of the Company		(539,736)	(151,640)
Attributable to non-controlling interests		-	-
Profit (loss) for the year		(539,736)	(151,640)
Total comprehensive income attributable to:			
Attributable to owners of the Company		(542,753)	(41,261)
Attributable to non-controlling interests		-	2,359
Total comprehensive income (loss) for the year		(542,753)	(38,902)
Earnings per share			
Earnings per share (both basic and diluted) (in CZK)	25	(23.47)	(6.59)
Total comprehensive income per share (in CZK)	25	(23.59)	(1.69)

Consolidated statement of financial position
as at 31 December 2012

In thousands of CZK

	Note	31 December 2012	31 December 2011
Assets			
Property, Plant and Equipment	17	2,272	2,058,420
Investments in equity-accounted investees	9	-	49,631
Other investments	18	265	995
Long-term receivables	21	689,271	3,230
Non-current assets		691,808	2,112,276
Inventories	20	-	112,510
Trade receivables	21.1	105,597	115,123
Other receivables	21.2	45,861	70,472
Amount due from customers for contract work	22	-	106,161
Prepaid expenses	21.2	815	2,754
Cash and cash equivalents	23	11,728	119,387
Current assets		164,001	526,407
Total assets		855,809	2,638,683
Equity & Liabilities			
Equity			
Share capital	24	2,300	2,300
Share premium	24	14,700	14,700
Legal reserve	24	236	236
Revaluation reserve	24	(415)	500,461
Foreign currency translation difference - foreign operations	24	-	6,538
Retained earnings	24	(87,818)	(54,974)
Equity attributable to owners of the Company		70,997	469,261
Non-controlling interests		-	2,581
Total equity		70,997	471,842
Liabilities			
Loans and borrowings	26	-	1,137,899
Other long term liabilities	28	678,536	352,092
Deferred tax liabilities	19	4	57,167
Non-current liabilities		678,540	1,547,158
Loans and borrowings	26	5,973	70,750
Other loans	26	158,842	20,640
Trade payables*	27	73,449	399,848
Other payables*	27	1,160	41,669
Other short term liabilities	28	8,835	59,344
Current income tax liabilities	29	7	27,432
Current liabilities		248,266	619,683
Total liabilities		926,806	2,166,841
Total equity and liabilities		855,809	2,638,683

Consolidated statement of changes in equity

for the year ended 31 December 2012

Attributable to owners of the Company

In thousands of CZK

	Note	Share capital	Share premium	Legal Reserve	Other Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2011		2,300	14,700	230	419,793	67,920	504,943	346	505,289
Loss for the year		-	-	-	-	(151,640)	(151,640)	-	(151,640)
Foreign currency translation differences	24	-	-	-	5,321	-	5,321	-	5,321
Revaluation of property, plant and equipment	24	-	-	-	107,861	-	107,861	2,359	110,220
Deferred tax related to PPE revaluation increase	24	-	-	-	(20,942)	-	(20,942)	-	(20,942)
Share on revaluation of PPE of associates/joint ventures	24	-	-	-	16,863	-	16,863	-	16,863
Share on currency translation diff. of associates/joint ventures	24	-	-	-	1,276	-	1,276	-	1,276
Total comprehensive income (loss) for the year		-	-	-	110,379	(151,640)	(41,261)	2,359	(38,902)
Deferred tax related to FA revaluation increase		-	-	-	5,455	-	5,455	-	5,455
Legal reserve fund	24	-	-	6	-	(6)	-	-	-
Move from revaluation reserve to retained earnings		-	-	-	(28,628)	28,752	124	(124)	-
Balance at 31 December 2011		2,300	14,700	236	506,999	(54,974)	469,261	2,581	471,842

Balance at 1 January 2012		2,300	14,700	236	506,999	(54,974)	469,261	2,581	471,842
Loss for the year		-	-	-	-	(539,736)	(539,736)	-	(539,736)
Foreign currency translation differences	24	-	-	-	(3,017)	-	(3,017)	-	(3,017)
Revaluation of property, plant and equipment	24	-	-	-	-	-	-	-	-
Deferred tax related to PPE revaluation increase	24	-	-	-	-	-	-	-	-
Share on revaluation of PPE of associates/joint ventures	24	-	-	-	-	-	-	-	-
Share on currency translation diff. of associates/joint ventures	24	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year		-	-		(3,017)	(539,736)	(542,753)	-	(542,753)
Deferred tax related to FA revaluation increase	24	-	-	-	2,619	-	2,619	-	2,619
NCI shares sales	24	-	-	-	-	-	-	(2,705)	(2,705)
Move from revaluation reserve to retained earnings	24	-	-	-	(507,016)	506,892	(124)	124	-
Balance at 31 December 2011		2,300	14,700	236	(415)	(87,818)	(70,997)	-	(70,997)

Consolidated statement of cash flows

for the year ended 31 December 2012

<i>In thousands of CZK</i>	<i>Note</i>	For the year ended 31 December	
		2012	2011
Cash flows from operating activities			
Profit (loss) for the year		(539,736)	(151,640)
Adjustments for:			
Depreciation	<u>17</u>	31,936	90,171
Net finance costs	<u>15</u>	440,035	101,294
Share of profit of equity-accounted investees	<u>25</u>	551	(2,509)
Loss on sale of HFS assets/property, plant and equipment	<u>17</u>	-	1,381
Receivables write-off	<u>21</u>	2,293	15,541
Income tax expense	<u>16</u>	57,326	21,470
Changes in:			
Trade and other receivables	<u>21.1</u>	161,325	108,493
Amount due from customers for contract work	<u>22</u>	34,971	(30,711)
Prepaid expenses	<u>21.2</u>	(31)	(1,952)
Inventories	<u>20</u>	51,270	176,476
Trade and other payables	<u>27</u>	(221,881)	(291,432)
Other liabilities	<u>27,28</u>	1,336	56,353
Interest paid	<u>15</u>	(13,722)	(65,408)
Income tax paid	<u>16</u>	(174)	(47,028)
Net cash (used in) operating activities		(5,499)	(19,501)
Cash flows from investing activities			
Acquisition of property, plant and equipment	<u>17</u>	(200)	(374,358)
Acquisition of subsidiaries, associates, joint ventures	<u>9</u>	-	(17,257)
Acquisition of other investments	<u>9</u>	(398)	(730)
Proceeds from sale of HFS assets/property, plant and equipment	<u>17</u>	(89,284)	13,213
Interest received	<u>15</u>	622	3,969
Net cash used in investing activities		(89,260)	(375,163)
Cash flows from financing activities			
Proceeds from borrowings	<u>26</u>	-	909,759
Repayment of borrowings	<u>26</u>	(23,898)	(455,883)
Net cash from financing activities		(23,898)	453,876
Net increase /decrease in cash and cash equivalents		(107,659)	59,212
Cash and cash equivalents at 1 January	<u>23</u>	119,387	60,175
Cash and cash equivalents at 31 December	<u>23</u>	11,728	119,387

5.2. Notes to the consolidated financial statements

1. Reporting entity

Phoenix Energy a.s. (originally Photon Energy a.s., the "Company") is a company domiciled in the Czech Republic. The registered address of the Company is Prague 2, U Zvonařky 448/16, 120 00, the Czech Republic. The securities of the company are listed on the NewConnect (alternative trading market of the Warsaw Stock Exchange in Poland). The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

The Group has primarily engaged in the development of photovoltaic power plants in the Czech Republic and Slovakia. This activity involved securing suitable sites by purchase or long-term lease, obtaining all licenses and permits, the design, installation of photovoltaic equipment, financing, operations and maintenance. Phoenix Energy pursued a comprehensive strategy of focusing both on green-field and rooftop installations while trying to cover the largest possible part of the value chain and lifecycle of the power plant.

In 2012, significant process of restructuring has been performed. Most of the subsidiaries were transferred to the parent company Photon Energy N.V. and activities of the Company and remaining subsidiaries have been significantly reduced.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU IFRSs"). It represents the international accounting standards adopted in the form of European Commission Regulations in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements were authorized for issue by the Board of Directors on 28 June 2013.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Investments in equity instruments are measured at fair value

2.4 Functional and presentation currency

These consolidated financial statements are presented in CZK (Czech Crown), which is the Company's functional currency. All financial information presented in CZK has been rounded to the nearest thousand.

2. Basis of preparation (continued)

2.5 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with EU IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note [30.2](#) – professional judgment and internal knowledge of customer related to the creation of the allowance for bad and doubtful debts.

3.1 New and revised EU IFRSs affecting amounts reported in the current year (and/or prior years)

The following new and revised EU IFRSs have been applied in the current period and have affected the amounts reported in the financial statements.

IAS 1 Presentation of financial statements

The amendments:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement as was proposed in the exposure draft
- Require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

IAS 24 Related parties' disclosures

Revised standard is binding since 1 January 2011. It adjusted the definition of the related party, when the associates are considered as related party in relation to the parent company and also to its subsidiary. Two associates of the one parent company are not considered to be related parties. Clarifies the definition of related party. Include an explicit requirement to disclose commitments involving related parties.

IFRS 7 Financial instrument: disclosure

Revised standard aimed to simplify and improve the information presented by the accounting unit, including decrease the volume of data about the collaterals and adjust the qualitative information to provide better basis for the quantitative information.

3.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised EU IFRSs that have been issued but are not yet effective (dates in brackets shows effective date):

- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (01/01/14);
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (01/01/13);
- Amendments to IFRS 7 - Disclosures—Offsetting Financial Assets and Financial Liabilities (01/01/2013);
- IAS 28 Investments in Associates and Joint Ventures (amended 2011) (01/01/2013);
- IFRS 10; IFRS 11; IFRS 12; IFRS 13 (01/01/2013);

The Group does not plan to adopt these standards early and the extent of the impact has not been determined as management believes it will not have a significant impact.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

4.1.1 Business combinations

Acquisition of businesses is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognized in profit or loss as incurred.

4.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group accounting policies.

4.1.3 Special purpose entities

The Group includes special purpose entities (SPEs). The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

SPEs currently include entities owned by Raiffeisen – Leasing Real Estate, s.r.o. ("RLRE"). All these SPEs are financed by RLRE and put – call arrangement between the company and RLRE exists under which the company is entitled to acquire those companies if certain conditions are met.

For 2012, financial statements include only proportionate part of their result due to the sale performed within the year.

4. Significant accounting policies (continued)

4.1 Basis of consolidation (continued)

4.1.4 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

4.1.5 Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20 percent or more of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

4.1.6 Transactions eliminated on consolidation

Regarding subsidiaries all intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Regarding equity-accounted investees (see note [4.1.5](#)) part of a margin on sales to these entities is eliminated. This part is calculated as a percentage of margins equal to the percentage of entity's shares owned by the Group.

4.2 Foreign currency

4.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

4. Significant accounting policies (continued)

4.2 Foreign currency (continued)

4.2.1 Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments.

4.2.2 Presentation currency

During consolidation translation of amounts from the respective functional currencies of Group entities to the Group's functional currency is being done. Assets and liabilities are translated at exchange rates at the end of the year (end of the reporting period). Costs and revenues are translated at the exchange rates at the dates of the transactions for the year (reporting period). Equity items are translated using the exchange rate at the date of the transaction, i.e. at the date of the equity item creation.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

4.3 Financial instruments

4.3.1 Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4. Significant accounting policies (continued)

4.3 Financial instruments (continued)

4.3.1 Non-derivative financial assets (continued)

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on bank accounts and cash on hand and call deposits with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise other shares, where the Group holds less than 20% of the voting power and the Group has no control, joint control or significant influence over the investee.

4.3.2 Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

4. Significant accounting policies (continued)

4.3 Financial instruments (continued)

4.3.3 Share capital

Ordinary shares

Ordinary shares are classified as equity. Consideration received above the nominal value of the ordinary shares is classified in equity as Share premium. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

4.4 Property, plant and equipment ("PPE")

4.4.1 Recognition and measurement

Photovoltaic power plants are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed at sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The need for revaluations is assessed every quarter.

For fair value determination see note [5.1](#).

Any revaluation surplus arising on the revaluation of such photovoltaic power plant is recognized in other comprehensive income and accumulated in revaluation reserve in equity, except to the extent that the surplus reverses a revaluation deficit on the same asset previously recognized in profit or loss. Any deficit on revaluation of such photovoltaic power plants is recognized in profit or loss except to the extent that it reserves a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in other comprehensive income.

Photovoltaic power plants, which the Company consolidates, in the course of construction are carried at cost, less any recognized impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and capitalized borrowing costs. Such properties are reported as Property, plant, equipment - Assets in progress and are classified to Property, plant and equipment - Photovoltaic power plants when completed and ready for use. These assets are completed and ready for use when the power plant is connected to the electricity network and all technical parameters necessary for electricity production are completed. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Photovoltaic power plants, which the company builds for third party clients are reported under [4.7](#) Construction contracts in progress.

Depreciation on revalued photovoltaic power plants is recognized in profit or loss. Every quarter the amount equal to the difference between depreciation based on the revalued carrying amount of photovoltaic power plants and depreciation based on asset's original cost is transferred from the revaluation reserve to the retained earnings. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The gain or loss on disposal of an item of fixtures and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in profit or loss.

4. Significant accounting policies (continued)

4.4 Property, plant and equipment (continued)

4.4.2 Depreciation

Depreciation is recognized so as to write off the costs or revalued amount of property, plant and equipment (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation of photovoltaic power plants is recognised in profit or loss on a straight-line basis over the duration of the Feed-in-Tariff in a given country for each plant individually under property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

- | | |
|-----------------------------|--------------|
| ▪ Photovoltaic power plants | 20 years |
| ▪ Fixtures and equipments | 3 – 10 years |

4.5 Intangible assets

4.5.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the share in the identifiable assets acquired and the liabilities assumed.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

4.5.2 Intangible assets related to photovoltaic power plants

Intangible assets related to photovoltaic power plants are classified as property, plant and equipment "PPE" – Photovoltaic power plants as these intangibles are considered being an integral part of the power plants. These intangibles mainly include rights to build and operate a photovoltaic power plant in a specific country, rights to use a land for the purpose of photovoltaic power plant construction and use.

4.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

4. Significant accounting policies (continued)

4.7 Construction contracts in progress

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

The Group uses 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred in the reporting year related to the future activity on a contract, are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Construction contracts in progress are presented as part of current assets in the statement of financial position and include all contracts for building of power plants for the external customers (3rd parties), in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income/revenue in the statement of financial position.

4.8 Impairment

4.8.1 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4. Significant accounting policies (continued)

4.8 Impairment (continued)

4.8.1 Non-derivative financial assets (continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

4.8.2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

CGU corresponds to the individual power plant operated by the legal entity (subsidiary). In 2011, each power plant was owned by different subsidiary.

The recoverable amount of an asset or CGU is the greater of its value in use and its selling price less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. Significant accounting policies (continued)

4.9 Non-current assets held for sale or distribution

Non-current assets held for sale or distribution comprises assets and liabilities, which are expected to be recovered primarily through sale or distribution rather than through continuing use. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated.

4.10 Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or performance bonus if the Group has a present legal obligation or can reasonably expect the obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

There are accumulated compensated absences that are non-vesting. These are vacation days that are carried forward and can be used in the next period if the current period's entitlement is not used in full. The expected cost is calculated and recognized as an employee's related cost.

4.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

4.11.1 Warranties

A provision for warranties is recognised when the underlying services are sold, i.e. when the construction contracts are finished. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

4. Significant accounting policies (continued)

4.12 Revenue

4.12.1 Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement (e.g. Incoterms conditions).

4.12.2 Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

4.12.3 Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

4.12.4 Sale of electricity

Revenues from sale of electricity are coming from the sale of electricity produced and sold to the local electricity distributor. After the end of each month, the production reports are downloaded from the monitoring system and based on the data from the report, the invoices are issued. The revenues are recognized in accordance with the delivered electricity.

4.13 Finance income and finance costs

Finance income comprises interest income on loans and net foreign currency gains. Interest income is recognised in profit or loss using the effective interest rate method.

Finance costs comprise interest expense on borrowings, bank account fees and net foreign currency losses. Interest expense is recognised using the effective interest rate method.

4. Significant accounting policies (continued)

4.13 Finance income and finance costs (continued)

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss. Borrowing costs incurred by the Group directly attributable to the construction of power plants is capitalized in the cost of the related asset until the date of its completion.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4.14 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax liability is recognised for assets revaluation reported in other comprehensive income and other temporary differences. Assets revaluation represents the revaluation of photovoltaic power plants described in note 4.4.1.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. Significant accounting policies (continued)

4.15 Earnings per share

The Group uses ordinary shares only and it is listed on NewConnect (alternative trading market of the Warsaw Stock Exchange market). The Group presents basic earnings per share and total comprehensive income per share data.

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Total comprehensive income per share is calculated by dividing the total comprehensive income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

4.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management and directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and other minor expenses non-allocable to the any of the segments.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5.1 Property, plant and equipment

The fair value of items of plant, equipment, fixtures and fittings is based on the market approach using quoted market prices for similar items when available or the income approach (discounted cash-flow model) if there is no market based evidence of the fair value, otherwise the replacement cost approach when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence. For photovoltaic power plants the market prices are not available, therefore a discounted cash flows model is used.

The fair value of photovoltaic power plants where revaluation model is used is based on a discounted cash flows model discounted at weighted average cost of capital. Cash flows are calculated for the period equal to the duration of the Feed-in-Tariff in a given country, based on the expected after tax cost of debt and expected cost of equity. The management on a quarterly basis reviews the expected debt costs of individual projects vis-a-vis actual interest cost, financial market conditions, and interest rate for a 15-year state bond. The management on a quarterly basis also reviews expected cost of equity for the period of the cash flow model.

The valuations have been prepared internally, however they have been used and approved by the financing bank.

The valuations were done as of the date of put in use of individual power plant, and each model is periodically reviewed and any potential change in inputs is considered.

Cash flow projection is prepared for 20 years in Czech Republic and 15 years in Slovak Republic.

The valuation of option rights for Czech SPVs was approximated by the current Project Value. Moreover the valuation of options is based on Unlevered Free Cash Flow to Firm (FCFF) basis of SPVs. The FCFF calculation used in the valuation is consistent with the overall known definition and approaches.

The DCF models in Czech Republic already include the tax levy of 26%, so the impact of this tax is included in the revaluation of the Czech portfolio. The tax levy is legally valid in the period of 2011 – 2013. The management believe that the tax levy will not be prolonged to the following periods.

The discount rate determination was based on the Weighted Average Cost of Capital (WACC) estimation of 8%. The discount rate estimation of the Energy Regulatory Office for its internal calculation is 7%, the Company adopted the more conservative approach. The discount rate does not change during the time, which is more prudent since the variable WACC would increase the revalued value.

The approach for the Slovak SPVs in terms of valuation is based on Unlevered Free Cash Flow to Firm (FCFF) basis of SPVs. The FCFF calculation used in the valuation is consistent with the overall known definition and approach. The discount rate determination was based on the CAPM approach.

Due to the lack of data for Beta valuation of the specific company, the discount rate determination was made on sum of risk premiums: The risk free rate was based on average of 15 YR Slovak Govt Bond issued in 2004 and 2010; the market risk premium was result of analysis and further discussion within the management of company and due to the retroactive changes in the neighbour state (Czech republic) the management of company introduced also political risk premium. As the valuation is based on the discounted FCFF the discount rate used is based on the Weighted Average Cost of Capital (WACC). The total discount rate is within the range of 5 - 6%.

The revaluation reserve created in years 2010 and 2011 have been transferred when relevant subsidiaries were sold out of the Group.

5. Determination of fair values (continued)

The revaluation reserve created based on the DCF models is annually released to the retained earnings in the amount equal to the depreciation calculated from the amount of revaluation.

5.2 Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

5.3 Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

5.4 Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

5.5 Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

For finance leases the market rate of interest is determined by reference to similar lease agreements.

6. Financial risk management

6.1 Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

6.2 Operational risk

The economic viability of energy production using photovoltaic power plants installations depends on Feed-in-Tariff (FiT) systems. The FiT system can be negatively affected by a number of factors including, but not limited to, a reduction or elimination in the FiT or green bonus per kWh produced, an elimination or reduction of the indexation of the FiT and a shortening of the period for which the FiT applies to photovoltaic installations. On the investment side the Company faces uncertainty in relation to the approval process for the construction of photovoltaic installations, grid connection and the investment cost per kWp of installed capacity. The operating and financial results of the Company can be seriously affected by a sudden or significant change in the regulatory environment in each of the countries where the Company or its subsidiaries conduct business.

During the fourth quarter of 2010, the Czech parliament and the Czech government approved several changes in the legal framework governing certain aspects of the photovoltaic and other industries. Those changes included mainly: (i) a 3 years tax levy (valid for 2011 – 2013), newly introduced into the Czech tax system, of 26% on the revenues of photovoltaic power plants above 30kW of installed capacity, completed in the years 2009 and 2010, (ii) the abolishment of a six-year corporate income tax exemption for photovoltaic power plants, and (iii) a tenfold increase of the contractual fees previously agreed between the photovoltaic power plant operators and the state Land Fund for the extraction of certain classes of land from the state fund.

There is a certain risk that the validity of these measures could be extended and/or new measures could be introduced such that they would affect already completed photovoltaic investments. In such cases the value of our proprietary portfolio of photovoltaic power plants in the Czech Republic could be seriously negatively affected.

6.3 Currency risk

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, mainly against the Euro/CZK currency risk.

The transactions of the Group entities are denominated in both CZK and EUR. Although the CZK/EUR exchange rate experiences wide fluctuations in 2012, the Group is, typically, able to collect prepayments from its customers at the time of committing itself to purchases from third parties and thus to a large extent to mitigate currency risk. There is no financial hedging used by the company against the currency risk. Company's management does not formally monitor the Fx positions.

6. Financial risk management (continued)

6.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, including the electricity distributors and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. In most cases, Company requires advance (partial or 100%) for the delivery of goods in order to minimise the credit risk. Additionally, in case of new customers, company looks for market references of the potential customers that are available in public resources. The collections are regularly monitored by the responsible employees and any significant overdue receivables are discussed with the management of the company. Management of the company is responsible for the decision whether allowance is to be created or any other steps need to be performed.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets based on the previous periods of the company's existence.

Cash and cash equivalents

The Group held cash and cash equivalents of CZK 11,728 thousand at 31 December 2011 (2011: CZK 119,387 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties. Only those bank and financial institutions which were approved by the members of the Board of directors can be used by the company. Company uses only services of the most reputable banks on the market and does not cooperate with any small or unknown bank institutions to minimise the credit risk.

6.5 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The liquidity risk is managed on the group level.

6.6 Interest risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It is measured by the extent to which changes in market interest rates impact on net interest expense. Company uses interest rate derivatives for managing the interest rate risk.

6. Financial risk management (continued)

6.6 Interest risk (continued)

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy will unwind accordingly to the further negotiation with Group's creditors.

The Group's net debt to adjusted equity ratio at the reporting date was as follows:

<i>In thousands of CZK</i>	2012	2011
Total liabilities	926,806	2,166,841
Less: cash and cash equivalents	11,728	119,387
Net debt	915,078	2,047,454
Total equity	(70,997)	471,842
Net debt to equity ratio at 31 December	(12.89)	4.34

There were no changes in the Group's approach to capital management during the year.

7. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic divisions, plus Other operations. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's management reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Wholesale and import of PV components.* Includes purchasing and sale of PV system components, sales and distribution and support.
- *Engineering and construction services* (turn-key photovoltaic systems' installations for external clients and Phoenix Energy). Includes project engineering and turnkey construction of PV plants, from the project preparation, deliveries of constructions and components, actual building and put it use of power plants.
- *Production of electricity.* Includes SPE that finished building of photovoltaic power plants and those are connected to the distribution network and produce the electricity.
- *Operations, maintenance and supervision of PV power plants.* Includes operations, maintenance, supervision and servicing of PV plants both of 3rd parties and of internally owned.
- *PV Investment* – This segment represents OCI of the Group flowing from the revaluation of the PV producing the electricity and it is related to project companies that generate the revenues as shown in segment Production of electricity.

Other operations include the financing and insurance solutions for PV investors, intermediating investments in rooftop photovoltaic projects and other less significant activities. None of these operations meets any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

There are varying levels of integration between all the reportable segments. Wholesale and import of the photovoltaic power plants components segment sells technology to Engineering and construction services segment. Engineering and construction services segment builds power plants, which subsequently produce electricity and sell it to customers. Operations and maintenance of PV power plants provides services around the time of the completion and after the completion of the PV power plant.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

7. Operating segments (continued)

Information about reportable segments

Operating segments for the period 1 January to 31 December 2012

in Thousands CZK	Wholesale and import of PVPP components	Engineering and construction services	Production of electricity	Operations, maintenance and PVPP supervision	PV Invest.	Other	Total for segments	Elimination	Consolidated financial information
External revenues from the sale of products, goods and services	32 108	74 871	130 188	5 108	0	32 963	275 238	0	275 238
Revenues within segments from the sale of products, goods and services	-837	212	0	5 128	0	74 012	78 515	-78 515	0
Cost of sale	-57 423	-80 965	-9 208	-7 213	0	-93 604	-248 413	78 525	-169 888
Gross profit	-26 152	-5 882	120 980	3 023	0	13 371	105 340	10	105 350
Other external income	2 281	1	269	1 049	0	2 716	6 316	486	6 802
Administrative and other expenses	-1 519	-6 092	-30 072	-4 708	0	-79 153	-121 544	-496	-122 130
Out of that energy tax	0	0	28 399	0	0	0	28 399	0	28 399
EBITDA	-25 390	-11 973	91 177	-636	0	-63 066	-9 888	0	-9 888
Depreciation	-204	-280	-30 466	-333	0	-653	-31 936	0	-31 936
Operating income	-25 594	-12 253	60 711	-969	0	-63 719	-41 824		-41 824
Interest income	1 614	14 705	120	1	0	28 367	44 807	-31 572	13 235
Interest expenses	-30 052	-5 236	-47 200	-2	0	-21 694	-104 184	31 572	-72 612
Other financial revenues	0	16 690	0	0	0	0	16 690	0	16 690
Other financial expenses	-19 956	-119	-4 597	-45	0	-372 631	-397 348	0	-397 348
Profit/loss share in entities in equivalency	0	0	0	0	-551	0	-551	0	-551
Income tax	252	-1 389	-55 902	-216	0	-71	-57 326	0	-57 326
Profit/loss after taxation	-99 330	145	13 843	-2 200	-551	-493 467	-581 560	0	-539 736
Other comprehensive income	0	0	0	0	0	0	0	0	0
Foreign currency translation diff. - foreign operations	0	0	0	0	0	-3 017	-3 017	0	-3 017
Total comprehensive income	-99 330	145	13 843	-2 200	-551	-496 484	-584 577	0	-542 753
Assets, of which	0	61 942	201	0	0	849 904	912 047	-56 238	855 809
PPE – Lands	0	0	0	0	0	374	374	0	374
PPE – Photovoltaic power plants	0	0	0	0	0	0	0	0	0
PPE – Assets in progress	0	0	0	0	0	594	594	0	594
PPE - Equipment	0	0	0	0	0	963	963	0	963
Intangibles	0	0	151	0	0	190	341	0	341
Trade and other receivables	0	61 652	48	0	0	145 996	207 696	-56 238	151 458
Intragroup loans	0	0	0	0	0	0	0	0	0
Gross amount due from customers for contract work	0	0	0	0	0	0	0	0	0
Inventories – Goods	0	0	0	0	0	0	0	0	0

Investments in associates, JV, other	0	0	0	0	0	265	265	0	265
Deferred tax receivables	0	0	0	0	0	0	0	0	0
Long term receivables	0	0	0	0	0	689 271	689 271	0	689 271
Prepaid expenses	0	0	0	0	0	815	815	0	815
Assets held for sale	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	0	290	2	0	0	11 436	11 728	0	11 728
Liabilities, of which	0	62 933	188	0	0	919 923	983 044	-56 238	926 806
Trade and other payables	0	64 293	181	0	0	66 373	130 847	-56 238	74 609
Bank Loans and other loans	0	0	0	0	0	164 815	164 815	0	164 815
Current tax liabilities (income tax)	0	0	7	0	0	0	7	0	7
Deferred tax liabilities	0	0	0	0	0	4	4	0	4
Other long term liabilities	0	0	0	0	0	678 536	678 536	0	678 536
Other short term liabilities	0	-1 360	0	0	0	10 195	8 835	0	8 835

7. Operating segments (continued)

Information about reportable segments

Operating segments for the period 1 January to 31 December 2011

<i>In thousands of CZK</i>	Wholesale and import of PVPP components	Engineering and construction services	Production of electricity	Operations, maintenance and PVPP supervision	PV Investments	Other	Total	Elimination	Consolidated financial information
External revenues from the sale of products, goods and services	180,148	219,016	240,094	6,878	0	3,389	649,525	0	649,524
Revenues within segments from the sale of products, goods and services	153,152	76,562	0	14,503	0	178,498	422,715	(422,715)	0
Cost of sale	(309,846)	(300,019)	(107,461)	(11,025)	0	(82,981)	(811,332)	338,976	(472,355)
Out of that depreciation	0	0	88,095	0	0	0	88,095	0	88,095
Gross profit	23,454	(4,441)	132,633	10,356	0	98,906	260,908	(83,739)	177,169
Other external income	614	4,853	186	26	0	2,788	8,467	(2,128)	6,339
Administrative and other expenses	(27,405)	(10,147)	(57,093)	(8,203)	0	(114,173)	(217,021)	2,128	(214,893)
Out of that depreciation	456	275	138	555	0	652	2,076	0	2,076
Out of that electricity levy	0	0	54,153	0	0	0	54,153	0	54,153
Operating income	(3,337)	(9,735)	75,726	2,179	0	(12,479)	52,354	(83,739)	(31,385)
Interest income	4,970	24,420	133	0	0	36,741	66,264	(62,295)	3,969
Interest expenses	(32,551)	(3,554)	(101,773)	(17)	0	(28,434)	(166,329)	62,295	(104,034)
Other finance income	6,111	0	1,855	137	0	3,983	12,086	0	12,086
Other finance expenses	(288)	(11,373)	(22)	(30)	0	(1,602)	(13,315)	0	(13,315)
Profit/loss share in equity-accounted investees	0	0	0	0	2,509	0	2,509	0	2,509
Income tax	(6,724)	111	(11,278)	(8)	0	(3,571)	(21,470)	0	(21,470)
Profit/loss after taxation	(20,995)	(131)	(46,183)	2,261	2,509	(5,362)	(67,901)	(83,739)	(151,640)
Other comprehensive income	0	0	89,278	0	16,863	0	106,141	0	106,141
Foreign currency translation diff. - foreign operations	0	(590)	7,018	(167)	1,276	(940)	6,597	0	6,597
Total comprehensive income	(20,995)	(721)	50,113	2,094	20,648	(6,302)	44,837	(83,739)	(38,902)
Assets, of which	905,726	1,014,525	2,227,749	13,645	75,859	906,492	5,143,996	(2,505,313)	2,638,683
PPE – Lands	0	0	71,135	0	0	375	71,510	0	71,510
PPE – Photovoltaic power plants	0	0	2,005,213	0	0	0	2,005,213	(52,632)	1,952,581
PPE – Equipment	987	890		2,004		2,382	6,263	0	6,263
PPE – Assets in progress	0	0	30,520	0	0	0	30,520	(2,888)	27,632
Intangibles	0	0	0	0	0	434	434	0	434
Trade and other receivables	704,305	147,028	13,697	10,954	0	255,661	1,131,645	(946,050)	185,595
Intragroup loans	103,914	757,243	0	0	0	614,367	1,475,524	(1,475,524)	0
Amount due from customers for contract work	0	105,194	0	0	0	967	106,161	0	106,161
Inventories – Goods	96,018	0	0	0	0	18,483	114,501	(1,991)	112,510
Investments in associates, JV,	0	0	0	0	75,859	995	76,854	(26,228)	50,626

<i>In thousands of CZK</i>	Wholesale and import of PVPP components	Engineering and construction services	Production of electricity	Operations, maintenance and PVPP supervision	PV Investments	Other	Total	Elimination	Consolidated financial information
other									
Long term receivables	0	0	2,592	0	0	638	3,230	0	3,230
Prepaid expenses	12	51	2,317	54	0	320	2,754	0	2,754
Assets held for sale	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	490	4,119	102,275	633	0	11,870	119,387	0	119,387
Liabilities, of which	841,840	992,395	1,832,713	16,863	0	904,603	4,588,415	(2,421,574)	2,166,841
Trade and other payables	268,449	790,702	29,711	10,254	0	288,451	1,387,567	(946,050)	441,517
Intragroup loans	154,040	255,242	476,584	6,543	0	583,114	1,475,524	(1,475,524)	0
Bank Loans	0	0	1,202,352	0	0	26,937	1,229,289	0	1,229,289
Other long term liabilities	455	601	0	36	0	351,000	352,092	0	352,092
Other short term liabilities	0	0	0	0	0	59,344	59,344	0	59,344
Current tax liabilities (income tax)	11,294	1,955	8,052	30	0	6,101	27,432	0	27,432
Deferred tax liabilities	(2,742)	(56,105)	116,014	0	0	0	57,167	0	57,167

7. Operating segments (continued)

All the operational segments are managed on an international basis (not on a country level). In 2011 the Group operated on the Czech Republic, Slovak Republic, Italy, Germany and Australian markets.

In 2011, the most of revenues were generated in the Czech Republic and the Slovak Republic. Non-current assets are located in all countries, where Group operated, except of Netherlands. There is an inactive branch in Poland as well that does not generate any revenue and has no non-current assets.

When presenting geographical information below, segment revenue is based on the geographical location of entities generating the revenues. Segment assets are based on the geographical location of the assets.

Revenue

<i>In thousands of CZK</i>	2012	2011
Czech Republic	177,318	389,960
Italy	78,570	66,325
Slovak Republic	15,412	193,239
Germany	3,938	-
Consolidated revenue	275,238	649,524

Non-current assets ⁽ⁱ⁾

<i>In thousands of CZK</i>	2012	2011
Czech Republic	1,931	1,567,454
Italy	341	1,899
Germany	-	335
Australia	-	13,385
Slovak Republic	-	529,203
	2,272	2,112,276

Note: (i) Non-current assets presented consist mainly of property, plant and equipment (lands, photovoltaic power plants, other equipment, assets under construction) and investments in equity-accounted investees

Major customer

The Group had many customers. For the companies selling electricity, there is usually only one distribution company, which buys produced electricity. These local electricity distributors further deliver and resell electricity to final customers. Distributors are obliged to purchase all of the electricity production for the price based on Feed in Tariff prices and can be also exchanged for different distributor operating on the market.

9. Business combinations

9.1 Establishment of new subsidiaries and investments in new established equity-accounted investees

During 2012 Phoenix Energy a.s. has not established any subsidiary.

9.2 Disposals of subsidiaries

In 2012, significant restructuring of the PEAS group was performed.

Most of the subsidiaries were transferred to the ultimate parent company , Photon Energy N.V.

The following entities were transferred against the carrying value within the Group during the year 2012 as a result of the restructuring process:

Subsidiary

Photon SK SPV 1 s.r.o.
Photon SK SPV 2 s.r.o.
Photon SK SPV 3 s.r.o.
EcoPlan 2 s.r.o.
EcoPlan 3 s.r.o.
SUN4ENERGY ZVB, s.r.o.
SUN4ENERGY ZVC, s.r.o.
Fotonika, s.r.o.
ATS Energy, s.r.o.
Solarpark Myjava s.r.o.
Solarpark Polianka s.r.o.
Photon Energy Polska Sp. z o.o.
Photon Energy Australia Pty Ltd.
Photon Management s.r.l.
Photon SPV 1 s.r.o.
Photon SPV 2 s.r.o.
Photon SPV 5 s.r.o.
Solarpark Mikulov I s.r.o.
Solarpark Mikulov II s.r.o.
Photon Energy Investments CZ N.V.
IPVIC GbR
Photon Energy Deutschland GMBh
Photon Engineering Deutschland GMBh
Photon Management Deutschland

Sale of Slovak and Czech SPVs was performed based on the appraiser report.

All the considerations for the transfers of Slovak SPVs were determined by the court appointed appraiser Equita Consulting s.r.o. and sum up to the total amount of CZK 125,575 thousand (EUR 5.08 million). The selling price of the SK portfolio (sale performed as at 30 March 2012) was significantly lower than the value in use of the companies as presented under IFRS in the consolidated financial statements. This is because the sale was performed between related parties, the Czech Commercial Code requires an expert opinion stating the selling price. The entity which is selling the assets must follow the valuation and can neither influence the assumptions used, nor the final price. The final price must be accepted by the entity even it believes the assets to be sold to have a different value.

The difference between the value in use as presented in IFRS and actual selling price is a consequence of the local legal requirement that does not reflect the assumptions used under IFRS. The total loss incurred due to the difference in valuation of the external valuer and the valuation used in the consolidated financial statements according to IFRS amounted to CZK 92,314 thousands.

The following steps related to Czech SPVs were performed that have a direct impact on the Photon Energy a.s. Group:

- 4) Photon Energy a.s. contributed the receivables towards the below listed SPVs to the capital of Photon Energy Investments CZ NV (increase of capital by CZK 428, 278 thousand)

- 5) Photon Energy a.s. contributed the receivables towards Photon SPV 1 s.r.o. to the capital of Photon Energy Investments CZ NV ((increase of capital by CZK 16,237 thousand)
- 6) Photon Energy a.s. sold Photon Energy Investments CZ NV to Photon Energy Investments SK NV for the value determined by the valuer

List of SPVs whose receivables were the subject of the contribution:

- Photon SPV 6 s.r.o.,
- Photon SPV 4 s.r.o.,
- Onyx Energy s.r.o.,
- Onyx Energy projekt II s.r.o.,
- Photon SPV 10 s.r.o.,
- Photon SPV 3 s.r.o.,
- Exit 90 SPV s.r.o.,
- Photon SPV 8 s.r.o.,
- Photon SPV 11 s.r.o.

The total amount of receivables as of the date of transfer was CZK 428,278 thousand. The value of Photon Energy Investments CZ NV determined by the court appointed valuer Equita Consulting s.r.o. was CZK 510,638 thousand. The total value of Photon Energy Investments CZ NV of CZK 510,638 thousand included also the value of options related to the RLRE SPVs. Their value was determined in the opinion to be CZK 54,859 thousand.

The receivable from the sale of Czech SPVs from PEI SK NV was originally payable on 30 March 2013. Based on the amendment signed in December 2012, it is payable in 2018. The receivable from the sale of options to the Czech SPVs (via sale of PEI CZ NV) has partially been paid (CZK 25,638 thousands) on 3 August 2012 and the remaining amount (CZK 485,000 thousands) was originally payable as per 19 June 2013. Based on the amendment signed in December 2012, it is payable in 2018.

Additionally to the above described transfer of assets coming from the restructuring, the following entities were sold completely out of the Group in September 2012 (December 2012 for Photon Engineering Slovensko s.r.o.):

- Photon Engineering s.r.o.
- Photon Trading s.r.o.
- Photon Import s.r.o.
- Photon Engineering Slovensko s.r.o.

Total loss from the sale of those entities amounted to CZK 181,173 thousands.

10. Revenue

<i>In thousands of CZK</i>	2012	Total 2011
Sales of goods	47,088	167,809

Rendering of services	15,454	135,460
Sale of electricity	130,188	240,094
Construction contracts revenues	82,508	106,161
	275,238	649,524

The significant decrease in revenues in 2012 comparing to 2011 was mainly influenced by the restructuring process performed in 2012. Most of the original subsidiaries owned by the Company were transferred out of the Group and therefore only proportionate part of revenues is booked in the financial statements as of 31 December 2012.

11. Cost of sales

Main expenses' classes represent material consumed, cost of goods sold, 3rd parties services received, depreciation and other expenses, such as travelling or representation costs.

<i>In thousands of CZK</i>	2012	2011
Material consumed	(61,047)	(68,361)
Goods (invertors, etc)	(80,212)	(210,936)
Services (3 rd party services received)	(28,069)	(86,209)
Other (representation, travelling, etc)	(560)	(6,346)
Creation of allowances for receivables	-	(10,332)
	(169,888)	(382,184)

Cost of sales consists mainly of material and goods necessary for construction of photovoltaic power plants and related services. Its decrease is caused by the process as already described in the Revenues section (note [10](#)). Depreciation amounted to CZK 31,936 thousands (2011: CZK 90,171 thousands).

12. Other income

<i>In thousands of CZK</i>	2012	2011
Extinguished payables	-	-
Inventory excess (gain from stock-count)	-	-
Government grants	1,694	2,135
Other income	5,108	4,204
	6,802	6,339

13. Other expenses

Other expenses comprise of other taxes, penalties and other minor expenses.

<i>In thousands of CZK</i>	2012	2011
Other taxes and fees	(676)	(379)
Penalties and fines	(887)	(5,183)
Receivables write-off	(2,291)	(15,541)
Other expenses	(2,331)	(8,087)
	(6,185)	(29,190)

14. Administrative, personnel expenses and tax levy

<i>In thousands of CZK</i>	2012	2011
Wages and salaries	(34,357)	(36,749)
Social and health insurance	(10,758)	(21,146)
Fuel consumption	(499)	(1,797)
Consulting, legal and other administrative services	(41,842)	(71,858)
Tax levy (refer to the point 6.2)	(28,399)	(54,153)
	(115,855)	(185,703)

As at 31.12.2012 the Group employs 4 employees. 3 of them are employed in the Czech Republic; 1 of them in Italy.

As at 31.12.2011 the Group employs 66 employees. 4 of them are employed in Slovakia by Slovak entities; 10 of them in Germany, 3 of them in Italy and the remaining 49 employees are employed in the Czech Republic.

15. Finance income and finance costs

Recognised in profit or loss

<i>In thousands of CZK</i>	2012	2011
Interest income on loans and receivables	13,235	3,969
Net foreign exchange profit	-	7,902
Net gain on disposal of associates	-	4,184
Finance income	13,235	16,055
Interest expense on loans, receivables	(39,327)	(68,683)
Bank account fees	(2,126)	(3,302)
Realized loss from derivatives	(3,889)	(10,013)
VAT related interest costs	(33,285)	(35,351)
Net foreign exchange loss	(10,830)	-
Loss from sale of subsidiaries	(363,813)	-
Finance costs	(453,270)	(117,349)
Net finance costs	(440,035)	(101,294)

The VAT related interest costs are calculated from the outstanding liabilities for VAT as of the date of sale of related subsidiaries. The interest rate applicable is 7,75%. All balances above include proportionate part of the cost for the period when company was the owner of all related subsidiaries.

16. Income tax expense

16.1 Income tax recognised in profit or loss

<i>In thousands of CZK</i>	2012	2011
Current tax expense		
Current year	2,448	20,844
Adjustment for prior years	0	0
	2,448	20,844
Deferred tax expense		
Temporary differences (see note 19)	54,878	626
Total income tax expense	57,326	21,470

16.2 Income tax recognised in other comprehensive income

For the year ended 31 December	2012			2011		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
<i>In thousands of CZK</i>						
Revaluation of property, plant and equipment	-	-	-	110,220	(20,942)	89,278
Deferred tax related to the release of revaluation recognized in the previous periods	-	-	-	-	5,455	-
Total deferred tax related to the revaluation	-	-	-	-	(15,487)	-

16. Income tax expense (continued)

16.3 Reconciliation of effective tax rate

<i>In thousands of CZK</i>		2012
Loss before income tax		(482,410)
Non-deductible expenses		
- Interest expenses		33,285
- sale of financial investments		363,813
Current year losses for which no deferred tax asset was recognized		<u>98,196</u>
Total tax base		12,884
Tax income tax liability using 19% domestic rate		<u>2,448</u>

<i>In thousands of CZK</i>		2011
Loss before income tax		(130,170)
Non-deductible expenses		
- Interest expenses		87,164
- other		26,962
Current year losses for which no deferred tax asset was recognized		<u>129,044</u>
Total tax base		113,000
Tax liability using 19% domestic rate		<u>21,470</u>

17. Property, plant and equipment

In thousands of CZK

	Land	Photovoltaic power plant	Other equipment	In progress	Total
Carrying amounts					
At 1 January 2011	63,832	1,503,414	7,720	66,269	1,641,235
At 31 December 2011	71,510	1,966,827	6,698	13,385	2,058,420
At 31 December 2012	374	-	1,304	594	2,272

Gross revalued amount

Balance at 1 January 2011	63,832	1,507,734	9,411	66,269	1,647,246
Acquisitions through business combinations	-	164,685	-	-	164,685
Other Additions	7,678	223,719	1,054	-	232,451
Transfer from assets in progress	-	52,884	-	(52,884)	-
Revaluation increase	-	110,220	-	-	110,220
Balance at 31 December 2011	71,510	2,059,242	10,465	13,385	2,154,602
Balance at 1 January 2012	71,510	2,059,242	10,465	13,385	2,154,602
Acquisitions through business combinations	-	-	-	-	-
Other Additions	-	-	-	-	-
Transfer from assets in progress	-	-	-	-	-
Disposals	(71,136)	(2,059,242)	(8,470)	(12,791)	(2,151,639)
Revaluation increase	-	-	-	-	-
Balance at 31 December 2012	374	-	1,994	594	2,962

Depreciation and impairment losses

Balance at 1 January 2010	-	-	-	-	-
Depreciation for the year	-	4,320	1,691	-	6,011
Balance at 31 December 2010	-	4,320	1,691	-	6,011
Balance at 1 January 2011	-	4,320	1,691	-	6,011
Depreciation for the year	-	88,095	2,076	-	90,171
Balance at 31 December 2011	-	92,415	3,767	-	96,182
Balance at 1 January 2012	-	92,415	3,767	-	96,182
Transfer	-	(92,415)	(3,767)	-	(96,182)
Depreciation for the year	-	-	690	-	690
Balance at 31 December 2012	-	-	690	-	690

Carrying amounts

At 1 January 2011	63,832	1,503,414	7,720	66,269	1,641,235
At 31 December 2011	71,510	1,966,827	6,698	13,385	2,058,420
At 31 December 2012	374	-	1,304	594	2,272

17. Property, plant and equipment (continued)

Revaluation details by power plants

In thousands of CZK

Photovoltaic power plants	kWp	31.12.2012		31.12.2011	
		Net book value at costs	Net book value at FV	Net book value at costs	Net book value at FV
Breclav - ZS	137	-	-	8 574	12 112
Cukrovar Slavkov	1,159	-	-	78 457	115 757
Dolní Dvorište	1,640	-	-	115 933	156 610
Komorovice	2,354	-	-	161 920	215 197
Mostkovice	926	-	-	59 009	89 070
Mostkovice plocha	209	-	-	13 435	18 601
Prerov Radvanice	2,305	-	-	148 484	231 566
Svatoslav pozemek	1,231	-	-	70 261	125 128
Zdice I	1,498	-	-	108 305	134 619
Zdice II	1,498	-	-	93 674	141 041
Zvikov	2,031	-	-	139 474	189 663
Mokrá lúka II	990	-	-	59 501	86 122
Mokrá lúka III	990	-	-	59 374	86 172
Jovice V	990	-	-	56 884	72 127
Jovice VI	990	-	-	56 718	72 158
Babina II	999	-	-	78 750	81 737
Babina III	999	-	-	77 425	82 094
Blatná	700	-	-	49 379	57 053
total	21 646	-	-	1 435 557	1 966 827

17. Property, plant and equipment (continued)

Property, plant and equipment under construction

Property, plant and equipment in the total amount of CZK 594 thousand (2011: CZK 13,385 thousand) represents mainly assets related to research&development project (2011: unfinished photovoltaic power plants)

Sale of property, plant and equipment

In 2012 costs of sold property, plant and equipment amounted to CZK 552 thousands (2011: CZK 0 thousands). Proceeds from sale of property, plant and equipment were in 2012 CZK 321 thousands (2010: CZK 0 thousands).

18. Other investments

<i>In thousands of CZK</i>	2012	2011
Non-current investments		
Other investments measured at cost ⁽¹⁾	265	995
	265	995

Notes: (1) The equity investments represents 5.9% shares in Alpensolar Einkauf GmbH (both 2012 and 2011) and 10.7% shares in IPVIC GBR (in 2011).

19. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of CZK

	Assets			Liabilities			Net		
	2012	Y-Y change	2011	2012	Y-Y change	2011	2012	Y-Y change	2011
Property, plant and equipment	4	(54,059)	54,063	0	113,971	-113,971	4	59,912	-59,908
Inventories (adjustment)	0	(2,742)	2,742	0		0	0	(2,742)	2,742
Construction contracts	0		0	0	0	0	0	0	0
Receivables (allowances)	0	0	0	0		0	0	0	0
Employee benefits	0	0	0	0		0	0	0	0
Tax loss carry-forwards	0	0	0	0		0	0	0	0
Tax assets (liabilities)	4	-4,405	56,805	0	113,971	-113,971	4	57,170	-57,166

19. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

In thousands of CZK

	Balance 1 January 2011	Recognised in profit or loss	Recognised in other comprehen- sive income	Balance 31 December 2011	Recognised in profit or loss	Recognised directly in equity	Recognised in Other comprehen- sive income	Balance 31 December 2011
Property, plant and equipment	(48,862)	4,441	(15,487)	(59,908)	57,293	-	2,619	4
Inventories	494	2,248	-	2,742	(2,742)	-	-	-
Construction contracts	(3,780)	3,780	-	-	-	-	-	-
Receivables	1,576	(1,576)	-	-	-	-	-	-
Employee benefits	95	(95)	-	-	-	-	-	-
Tax loss carry-forwards	9,423	(9,423)	-	-	-	-	-	-
	(41,054)	(625)	(15,487)	(57,166)	54,551	-	2,619	4

20. Inventories

<i>In thousands of CZK</i>	2012	2011
Goods	-	112,510
	-	112,510

Goods consisted mainly of photovoltaic panels, invertors and other system components.

The cost of inventories recognized as an expense in cost of sales during the year in respect of continuing operations amounted to CZK 80,212 thousand (31 December 2011: CZK 196,505 million).

The cost of inventories recognized as an expense included in 2011 CZK 17,031 thousand in respect of write-downs of inventory to net realizable value. There were no reversals of such write-downs in 2012 and 2011. The write-down is included in cost of sales.

21. Trade and other receivables

21.1 Trade receivables

<i>In thousands of CZK</i>	Note	2012	2011
Trade receivables	30.2	106,191	141,449
Allowance for doubtful debts	30.2	(594)	(26,326)
Trade receivables net of allowance		105,597	115,123

The Group has recognized an allowance for doubtful debts according to individual assessment. If the receivables are individually not significant, Company recognizes potential allowance for doubtful debts based on the collective assessment.

During 2012, receivables in the total amount of CZK 2,291 thousand (2011: CZK 15,541 thousand) were written-off.

Part of the advances paid (CZK 3,230 thousand) was presented as long-term asset in the financial statements as at 31 December 2011.

21.2 Other receivables

<i>In Thousands of CZK</i>	Note	2012	2011
Paid advances		1,928	42,056
Loans to associates, joint ventures	31.1	40,242	25,287
Loans to directors	31.1	3,691	3,129
		45,861	70,472

Advances paid represent advances paid to suppliers mainly for photovoltaic panels.

21.3 Long-term receivables

Other receivables in the amount of CZK 689,271 thousands coming primarily from the sale of subsidiaries (refer to Chapter 9) have been presented as long-term as of 31 December 2012 as the due date is after 31 December 2013.

22. Amount due from customers for construction work

<i>In thousands of CZK</i>	2012	2011
Contracts in progress at the end of the reporting period		
Construction costs incurred plus recognized profits	0	106,161
Less: recognized losses to date	0	0
Less: progress billings	0	0
	0	106,161

<i>In thousands of CZK</i>	2012	2011
Recognized and included in the consolidated financial statements as amounts due:		
- from customers under construction contracts	0	106,161
- to customers under construction contracts	0	0
	0	106,161

At 31 December 2012, retentions held by customers for contract work amounted to zero (31 December 2011: CZK 6,531 thousand). Advances received from customers for contract work amounted to CZK 173 thousand (31 December 2010: CZK 17,788 thousand), refer to note [27](#).

23. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

<i>In thousands of CZK</i>	2012	2011
Bank balances	11,635	119,101
Cash on hand	93	286
Cash and cash equivalents	11,728	119,387

24. Capital and reserves

Share capital and share premium

<i>In thousands of shares</i>	Ordinary shares	
	2012	2011
On issue at 1 January	23,000,000	23,000,000
On issue at 31 December	23,000,000	23,000,000

Ordinary shares

All shares are fully paid as at 31 December 2012. Number of authorized shares is 23,000,000 in the nominal value of 0.1 CZK per each share.

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the shareholders' meetings of the Company.

Photon Energy Group a.s ("PEAS") was sold to an entity owned by the 2 shareholders's of the Group. As a consequence, PEAS left the consolidation scope of Photon Energy N.V. and became a sister company ultimately owned by the shareholders of the Group. We refer to the below text for further details on this transaction. Consequently, balances with PEAS are presented as related party balances as per 31 December 2012.

In December 2012, the following steps related to sale of Peas Group have been performed:

- 3 all shares of PE a.s. held by PENV were transferred to Minority Shareholders Photon Energy B.V. (MSBV), owned by the shareholders through their holding entities: Solar Power and Solar Future (SP and SF) and were contributed as additional contribution in kind. No new shares of MSBV were issued and the value of contributed shares is regarded as a non-stipulated share premium.
- 4 PENV issued new shares with a nominal value of EUR 0.01 to its current shareholders, Solar Power and Solar Future (the share capital has thus been increased to EUR 230 000
- 5 PENV transferred all shares it held in MSBV to SP and SF.

These steps mean that PE a.s. is not anymore the part of the PENV Group. Subsequently, Photon Energy a.s. has been renamed with effective date as of 19. 12. 2012 to Phoenix Energy a.s.

Except for the parent company Photon Energy N.V, the sold entity Phoenix Energy a.s. (originally Photon Energy a.s. ("PEAS")) also had minority shareholders. During the process of restructuring, where significant assets were transferred from PEAS Group to PENV group, management committed itself to perform a share swap from PEAS to PENV, in order not to harm the rights of the minority shareholders. Following the sale of this entity out of the Group, the minority share of Photon Energy a.s. (non-controlling interest) has been transferred to Photon Energy N.V. in line with the common control principle (non-controlling interest was transferred a level up, to the NV level).

MSBV, the Bidder, intended to acquire all shares currently owned by the Minority Shareholders in Phoenix Energy a.s. and in return provides them with an opportunity to buy shares in Photon Energy N.V., in such a way that for each share sold within the public tender offer, Minority Shareholders are entitled to buy one share in Photon Energy N.V. Alternatively, shareholders who accept the tender offer and do not use their right to acquire shares in Photon Energy N.V., will be compensated in cash.

For detail of cash swap, refer to the Subsequent events chapter.

24. Capital and reserves (continued)

As of 31 December 2012, to the knowledge of the Management Board of Phoenix Energy a.s., the shareholder structure was as follows.

<i>In shares</i>	No. of shares	% of capital
Phoenix Energy Minority Shareholders B.V.	17,047,777	74.12%
Free float	5,952,223	25.88%
Total	23,000,000	100.00%

As of 31 December 2011, to the knowledge of the Management Board of Phoenix Energy a.s., the shareholder structure was as follows.

<i>In shares</i>	No. of shares	% of capital
Phoenix Energy N.V.	16,502,300	71.75%
Free float	6,497,700	28.25%
Total	23,000,000	100.00%

Reserve

The reserves relate to the legal reserve, the revaluation of property, plant and equipment - photovoltaic power plants and the currency translations. Refer below.

<i>In thousands of CZK</i>	31 Dec 2012	31 Dec 2011
Legal reserve	236	236
Revaluation reserve	-	500,461
Foreign currency translation reserve	(415)	6,538
	(179)	507,235

Legal reserve

Legal reserve is a reserve required by the Czech commercial law. It has been created from the 2009 and 2010 profit of Phoenix Energy a.s. based on a general meeting decision. According to the Czech commercial law the legal reserve amount equals to 10% of a registered capital.

The legal reserve amounts to CZK 236 thousand in 2012 (2011: CZK 236 thousand).

Revaluation reserve

<i>In thousands of CZK</i>	2012	2011
Balance at beginning of year	500,461	419,852
Increase arising on revaluation of properties	-	110,220
of which share of non-controlling interest	-	(2,359)
Move from revaluation reserve to retained earnings	(503,080)	-
Deferred tax related to PPE revaluation increase	2,619	(20,942)
Increase arising on revaluation of properties-associates, JV	-	16,863
Move from revaluation reserve to retained earnings	-	(28,752)
of which share of non-controlling interest	-	124

Deferred tax liability arising from release of the prior periods' revaluation	-	5,455
Balance at end of year	-	500,461

The revaluation reserve arises on the revaluation of photovoltaic power plants. The revaluation reserve has being released to the retained earnings during the duration of Feed-in Tariff - for 20 years.

In 2012, due to the transfer of assets, to which the revaluation reserve was related to, whole balance of the previously created revaluation reserve has been moved to the retained earnings.

24. Capital and reserves (continued)

Foreign currency translation reserve

<i>In thousands of CZK</i>	2012	2011
Balance at beginning of year	6,538	(59)
Foreign currency translation differences for foreign operations	(3,017)	6,597
Move from currency reserve to retained earnings	(3,936)	-
Balance at end of year	(415)	6,538

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. It relates to Slovakia, Poland, Italy, Germany, Australia and Netherlands.

In 2012, due to the transfer of assets, to which the currency reserve was related to, related balance of the previously created currency reserve has been moved to the retained earnings.

Dividends

There were no dividends declared and paid by the Company in 2012 and 2011.

25. Earnings per share

<i>In CZK</i>	2012	2011
Basic earnings per share	(23.47)	(6.59)
Total comprehensive income per share	(23.59)	(1.69)

Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the loss attributable to ordinary shareholders of CZK (539,736) thousand (2011: profit CZK (151,640) thousand), and a weighted average number of ordinary shares outstanding of 23,000 thousand (2011: 23,000 thousand).

(Note: Basic and diluted earnings per share do not differ for the periods ended 31 December 2012 and 2011 respectively).

Profit attributable to ordinary shareholders

<i>In thousands of CZK</i>	2012			2011		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit (loss) for the year	(539,736)	-	(539,736)	(151,640)	-	(151,640)
Profit (loss) attributable to ordinary shareholders	(539,736)	-	(539,736)	(151,640)	-	(151,640)

Weighted average number of ordinary shares

There were no new shares issued in 2012 and 2011. The number of share at the beginning of the year 2012 and 2011 and end of the year 2012 and 2011 was 23,000,000.

Share on profit of equity-accounted investees amounted to loss of CZK 551 thousands (2011: loss of CZK 2,509 thousands).

Basic and diluted total comprehensive income per share

The calculation of total comprehensive income per share (both basic and diluted are the same) at 31 December 2012 was based on the total comprehensive income attributable to ordinary shareholders of CZK (542,753) thousand (2011: CZK (38,902) thousand), and a weighted average number of ordinary shares outstanding of 23,000 thousand (2011: 23,000 thousand).

26. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

In thousands of CZK

	2012	2011
Non-current liabilities		
Non-current secured bank loans	-	1,137,899
Total	-	1,137,899
Current liabilities		
Current portion of non-current secured bank loans	5,973	35,673
Current secured bank loans	-	35,077
Other loans	-	20,640
Total	5,973	91,390
Total loans & borrowings	5,973	1,229,289

26. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

<i>In thousands of CZK</i>	Currency	Nominal interest rate	Year of maturity	31 December 2012		31 December 2011	
				Credit limit	Carrying amount	Credit limit	Carrying amount
Secured bank loan	CZK	3M PRIBOR+4.8%	1.1.2016	-	-	137,800	133,469
Secured bank loan	CZK	3M PRIBOR+5.45%	1.1.2016	-	-	706,700	606,082
Secured bank loan	EUR	3M EURIBOR+2.9%	31.12.2023	-	-	239,321	239,321
Secured bank loan	EUR	3M EURIBOR+2.9%	30.6.2023	-	-	41,791	40,198
Secured bank loan	EUR	3M EURIBOR+3%	30.6.2024	-	-	128,005	118,862
Secured bank loan	EUR	3M EURIBOR +3%	31.12.2012	-	-	18,060	6,297
Bank loan	EUR	3M EURIBOR	31.12.2013	5,973	5,973	-	-
Other loan	CZK	6%	30.6.2012	-	-	20,640	20,640
Overdraft	CZK	PRIBOR+1.95%	31.12.2010	-	-	-	-
Total interest-bearing liabilities				5,973	5,973	1,360,717	1,229,289

All secured bank loans were in 2011 secured by power plants, assets of power plants including real estate, if any, and technology, receivables generated by power plants. In the case of secured bank loans denominated in CZK, nearly all power plants are cross-collateralized.

27. Trade and other payables

Trade payables

<i>In thousands of CZK</i>	2012	2011
Payables to suppliers	73,449	399,848
	73,449	399,848

Other payables

<i>In thousands of CZK</i>	2012	2011
Advances received	173	17,798
Accrued expenses	-	18,331
Deferred revenues	-	-
Employee benefits	-	-
Payables to employees	769	4,168
Payables to health and social authorities	168	1,372
Other	50	-
	1,160	41,669

28. Other long and short term liabilities

Other long term liabilities

<i>In thousands of CZK</i>	2012	2011
VAT Payables	-	350,384
Long term liabilities for income tax	-	-
Other liabilities	678,536	1,708
	678,536	352,092

Other short term liabilities

<i>In thousands of CZK</i>	2012	2011
NET VAT liability	8,835	59,344
Other liabilities	158,842	-
	167,677	59,344

Other long-term and other short-term liabilities include liabilities from the loans received from the originally owned subsidiaries split into short-term and long-term portion based on the due dates.

28. Other long and short term liabilities (continued)

29. Current tax liability

The current tax liability of CZK 7 thousand (2011: TCZK 27,432 thousand) represents the amount of income tax payable in respect of current and prior periods. As at 31.12.2011, whole balance of current tax liability was classified as short-term and has been included in the current liabilities.

30. Financial instruments

The major financial risks faced by the Company are those related to credit exposures, exchange rate risk and interest rate risk. These risks are managed in the following manner:

30.1 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2012

<i>In thousands of CZK</i>	Carrying amount	Contractual cash flows	More 1 – 12 months	1 – 2 years	2 – 5 years	than 5 years
Non-derivative financial liabilities						
Bank loans	5,973	6,152	6,152	-	-	-
Trade payables	73,449	73,449	73,449	-	-	-
Tax payables*	8,842	8,842	8,842	-	-	-
	88,264	88,443	88,443	-	-	-

Other loans consist of loan provided in 2011 by the non-bank financial institution, therefore it is classified as other loan. The interest rate charged was 6%. The due date of the loan was originally 30. 6. 2012, however, as it is described in subsequent events, it has been overtaken by the parent company.

31 December 2011

<i>In thousands of CZK</i>	Carrying amount	Contractual cash flows	More 1 – 12 months	1 – 2 years	2 – 5 years	than 5 years
Non-derivative financial liabilities						
Secured bank loans	1,208,649	1,460,347	140,489	183,662	506,124	630,071
Other loans	20,640	21,258	21,258	-	-	-
Trade payables	399,848	399,848	399,848	-	-	-
Tax payables*	438,868	498,756	142,155	79,793	276,808	-
	2,068,005	2,380,209	703,750	263,455	782,932	630,071

30. Financial instruments (continued)

30.1 Liquidity Risk (continued)

Effective interest rates and repricing analysis

In respect of interest-bearing financial liabilities, the following tables indicate their effective interest rates at the reporting date and the periods in which they re-price.

		2012				
<i>In thousands of CZK</i>						
	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	Fixed interest rate
Bank loans	3%	(5,973)	(5,973)	-	-	-
Total		(5,973)	(5,973)	-	-	-

		2011				
<i>In thousands of CZK</i>						
	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	Fixed interest rate
Tax payables	7.75%	(438,868)	(438,868)			
Bank loans	5.77%	(1,208,649)	(1,208,649)	-	-	-
Total		(1,647,517)	(1,647,517)	-	-	-

30.2 Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Company.

The Company's exposure to credit risk is disclosed in the tables below that show the analysis of credit quality of financial assets:

30. Financial instruments (continued)

30.2 Credit risk (continued)

<i>In thousands of CZK</i>		2012	2011
Loans and receivables			
<i>Financial assets</i>			
Not due yet		1,231	189,715
Overdue 180 days or less		79,648	20,656
Overdue over 180 days		25,312	11,550
Total		106,191	221,921
<i>Out of which</i>			
Impaired financial assets			
Overdue 180 days or less		-	20,656
Overdue over 180 days		594	11,550
Impairment loss to trade receivables		(594)	(26,326)

Total overdue impaired	594	26,326
Total overdue not impaired	104,366	5,880
Total financial assets after impairment	105,597	185,595

The allowance amounted to CZK 594 thousands relates to receivable from 1. Solar Energie a.s. Due to the significant doubts about repayment of this amount a 100% impairment has been created.

Majority of the allowances included in 2011 were related to the companies that have been sold out of the Group within 2012.

The Group believes that the other unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behavior, business relationships or the management judgment.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

30. Financial instruments (continued)

30.3 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It is measured by the extent to which changes in market interest rates impact on net interest expense.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

<i>In thousands of CZK</i>	2012	Carrying amount 2011
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(5,973)	(1,208,649)
	(5,973)	(1,208,649)

Financial liabilities comprise current and non-current banks borrowings and other loan as described in note 30.1 (see note [26](#)).

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date:

Interest bearing financial liabilities

In thousands of CZK

31 December 2012	effective interest rate	total	less than 1 year	1-5 years	more than 5 years
Loans and borrowings	3%	5,973	5,973	-	-
		5,973	5,973	-	-

30.3 Interest rate risk (continued)

31 December 2011	effective interest rate	total	less than 1 year	1-5 years	more than 5 years
Loans and borrowings	5.77%	1,208,649	70,750	507,827	630,072
		1,208,649	70,750	507,827	630,072

An increase/decrease of interest rates by 10% at the reporting date would have decreased/increased the profit before tax by CZK 18 thousands in 2012 (2011: CZK 6,976 thousands) as shown in the following table. This analysis assumes that all other variables remain constant.

Loans and borrowings with variable rate

31.12.2012

In thousands of CZK

Average amounts			Increase of rate by 10%			Decrease of rate by 10%		
Effective interest rate	Total	Interest (calc)	Effective interest rate	Interest (calc)	Effect on profit or loss	Effective interest rate	Interest (calc)	Effect on profit or loss
3.04%	5,973	182	3.35%	200	-18	2.74%	164	18
	5,973	182			-18			18

31.12.2011

In thousands of CZK

Average amounts			Increase of rate by 10%			Decrease of rate by 10%		
Effective interest rate	Total	Interest (calc)	Effective interest rate	Interest (calc)	Effect on profit or loss	Effective interest rate	Interest (calc)	Effect on profit or loss
5.77%	1,208,649	69,764	6.35%	76,741	-6,976	5.19%	62,788	6,976
	1,208,649	69,764			-6,976			6,976

30. Risk management (continued)

30.3 Interest rate risk (continued)

Actual interest expenses incurred by the Company in 2012 were CZK 39,327 coming from carrying value of loans drawn during 2012 and transferred together with SPVs within the process of restructuring.

Actual interest expenses incurred by the Company in 2011 were CZK 68,683 coming from carrying value of loans drawn in the amount of CZK 1,208,649 thousand as at 31. 12. 2011.

30.4 Exchange rate risk

The Company's functional currency is Czech crown and the Company realizes majority of its income and expenses in this currency. Foreign exchange risk is associated with sales and purchases of goods and services denominated in foreign currencies.

An increase/decrease of exchange rates by 10% at the reporting date would have decreased/increased the profit before tax by CZK 1,275 thousands in 2012 (2011: CZK 913 thousands) as shown in the following table. This analysis assumes that all other variables remain constant.

In thousands of currency

exchange rate at 31.12.2012	10%	-10%
CZK/EUR	25,14	27,654
		22,626

31.12.2012	Currency	in Currency	TCZK	TCZK +10%	change	TCZK -10%	change
Trade receivables and payables and loans	teur	507	12 746	14 021	1 275	11 471	-1 275
Total TCZK					1 275		-1 275

In thousands of currency

Exchange rate at 31. 12. 2011	31.12.2011	10%	-10%
CZK/EUR	25.8	28.38	23.22

31. 12. 2011	Currency	in Currency	TCZK	TCZK +10%	change	TCZK -10%	change
Trade receivables (and payables)	TEUR	-354	-9,133	-10,047	-913	-8,220	913
Total TCZK					-913		913

31. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

31.1 Parent and ultimate controlling party

As described in Chapter 24, Company is currently owned by the Solar Power and Solar Future (SP and SF) that are ultimately controlled by Georg Hotar and Michael Gärtner.

The Group has provided the following loans to the above directors:

<i>In thousands of CZK</i>	2012	2011
Balance at beginning of year	3,129	2,873
Loan provided to Mr. Hotar	562	169
Unpaid interests (Mr. Hotar)	-	35
Loan provided to Mr. Gärtner	-	11
Unpaid interests (Mr. Gärtner)	-	41
Balance at end of year	3,691	3,129

Members of the Management Board received for their Management Board related duties compensation in the amount of CZK 3,419 thousands in 2012 and CZK 6,942 thousands 2011. There were no trade relations between the Group and members of the Management Board of the Company.

Other related party transactions

<i>In thousands of CZK</i>	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2012	2011	2012	2011
Sale of goods and services				
Joint ventures – sale of services	-	1,453	-	-
Joint ventures – construction contracts revenues	-	194,013	-	-

The amounts above represent proportionate part of the appropriate item based on the percentage of ownership of the Company in the related entities.

32. Group entities

Subsidiaries

The following subsidiaries are consolidated at 31 December 2012.

Consolidated subsidiaries where the holding company owns more than half of the voting power.

Name	% of share	% of votes	Country of registr.	Consolid. method	Legal Owner
1 Phoenix Energy a.s.	Holding Company		CZ	Full Cons.	-
2 Photon Finance s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy
3 Photon Electricity s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy
4 Střešní Burza s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy
5 Solární věcná břemena s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy
6 Photon FinCo s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy
7 GOLF CLUB GRÝGOV s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy
8 Photon Photovoltaic EPC Services CZ Limited	100%	100%	Cyp	Full Cons.	Photon Energy
9 Photon Energy Italia s.r.l.	100%	100%	IT	Full Cons.	Photon Energy
10 Photon Engineering Italia s.r.l.	100%	100%	IT	Full Cons.	Photon Energy

CZ = Czech Republic, Cyp. = Cyprus , IT = Italy

32. Group entities (continued)

The following subsidiaries are consolidated at 31 December 2011.

Consolidated subsidiaries where the holding company owns more than half of the voting power.

Name	% of share capital held by the holding company	% of votes held by the holding company	Country of registration	Legal Owner
Phoenix Energy a.s.	Holding Company		CZ	-
Photon Engineering s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Photon Trading s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Photon Finance s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Photon Import s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Photon Management s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Photon Electricity s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Střešní Burza s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Solární věcná břemena s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Photon Corporate Services s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Photon FinCo s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
GOLF CLUB GRYGÓV s.r.o.	100%	100%	CZ	Phoenix Energy a.s.
Photon SPV 1 s.r.o.	100%	100%	CZ	Phoenix Energy Investments CZ N.V.
Photon SPV 2 s.r.o.	100%	100%	CZ	Phoenix Energy Investments CZ N.V.
Photon SPV 5 s.r.o.	100%	100%	CZ	Phoenix Energy Investments CZ N.V.
Photon SPV 9 s.r.o.	100%	100%	CZ	Phoenix Energy Investments CZ N.V.
Photon Engineering Slovensko s.r.o.	100%	100%	SK	Phoenix Energy a.s.
Photon Management Slovensko s.r.o.	100%	100%	SK	Phoenix Energy a.s.
Photon SK SPV 2 s.r.o.	100%	100%	SK	Phoenix Energy a.s.
Photon SK SPV 3 s.r.o.	100%	100%	SK	Phoenix Energy a.s.
Eco Plan 2 s.r.o.	100%	100%	SK	Phoenix Energy a.s.
Eco Plan 3 s.r.o.	100%	100%	SK	Phoenix Energy a.s.
SUN4ENERGY ZVB, s.r.o.	100%	100%	SK	Phoenix Energy a.s.
SUN4ENERGY ZVC, s.r.o.	100%	100%	SK	Phoenix Energy a.s.
ATS Energy, s.r.o.	70%	70%	SK	Phoenix Energy a.s.
Phoenix Energy Australia Pty Ltd.	100%	100%	AUS	Phoenix Energy a.s.
Phoenix Energy Italia s.r.l.	100%	100%	IT	Phoenix Energy a.s.
Photon Engineering s.r.l.	100%	100%	IT	Phoenix Energy a.s.
Photon Management s.r.l.	100%	100%	IT	Phoenix Energy a.s.
Phoenix Energy Deutschland GmbH	100%	100%	DE	Phoenix Energy a.s.
Photon Engineering Deutschland GmbH	100%	100%	DE	Phoenix Energy a.s.
Photon Management Deutschland GmbH	100%	100%	DE	Phoenix Energy a.s.
Phoenix Energy Investments CZ N.V.	100%	100%	NL	Phoenix Energy a.s.
Phoenix Energy Polska Sp. z o.o.	100%	100%	PL	Phoenix Energy a.s.

32. Group entities (continued)

Except of the above subsidiaries there are other consolidated subsidiaries (special purpose entities) at 31 December 2011, where the holding company has control but does not have any ownership or direct voting rights. The following entities are included:

Name	% of Consolidated share	% of Ownership share	Country of registration	Legal Owner
Photon SPV 3 s.r.o.	100%	0%	CZ	RLRE
Photon SPV 8 s.r.o.	100%	0%	CZ	RLRE
Exit 90 SPV s.r.o.	100%	0%	CZ	RLRE
Photon SPV 4 s.r.o.	100%	0%	CZ	RLRE
Photon SPV 6 s.r.o.	100%	0%	CZ	RLRE
Onyx Energy s.r.o.	100%	0%	CZ	RLRE
Onyx Energy projekt II s.r.o.	100%	0%	CZ	RLRE
Photon SPV 10 s.r.o.	100%	0%	CZ	RLRE
Photon SPV 11 s.r.o.	100%	0%	CZ	RLRE

CZ = Czech Republic

Associates, joint ventures

2012

All associates and joint ventures were sold out of the group during 2012.

2011

Associates Solarpark Mikulov I s.r.o. (ownership interest 49%, share on equity TCZK 83 thousand), Solarpark Mikulov II s.r.o. (ownership interest 30%, share on equity TCZK 32 thousand) and joint ventures Fotonika, s.r.o. (ownership interest 60%, share on equity TCZK 16,719 thousand), Solarpark Myjava, s.r.o. (ownership interest 50%, share on equity TCZK 11,521 thousand), Solarpark Polianka, s.r.o. (ownership interest 50%, share on equity TCZK 11,521 thousand) and Photon SK SPV 1 s.r.o. (ownership interest 50%, share on equity TCZK 10,024 thousand) are consolidated accounted for using the equity method at 31 December 2011.

33. Subsequent events and going concern

- After the reporting period i.e. on 6 February 2013 the Company signed the share transfer agreement with Ready made service s.r.o. , seated in Prague, on the basis of which it sold 100% share interests in the following six subsidiaries:
 - GOLF CLUB GRYGÓV s.r.o.,
 - Photon FinCo s.r.o.,
 - Photon Electricity s.r.o.,
 - Solární věčná břemena s.r.o.,
 - Střešní burza s.r.o.,
 - Photon Finance s.r.o.,

The total considerations for the above share interests amounted to CZK 3,519 thousands.

- On 19 April 2013, the Company announced the process of a share swap to the minority shareholders. Those minority shareholders are offered to exchange their shares for shares of Photon Energy N.V. in the share one to one. The offer period lasted one month as of the announcement on 19 April 2013.
As a result of the share swap, MSBV (as ultimate parent of the Company) increased its share in the capital of Phoenix Energy a.s., to 96.58%.
- In January 2013, amendments of the original contracts on sale of Slovak SPVs were signed- the due dates were prolonged to 30 March 2017.
- 18 June 2013 Company (Phoenix Energy a.s.; PEas) transferred its receivable including interest towards Photon Energy Investment SK N.V. from the sale of Slovak SPVs and PEI CZ NV in the total amount of CZK 636 516 thousands to the company Adria-Faraone Ltd. Subsequently, this receivable was set-off with the receivable of Adria-Faraone Ltd. towards PEAS in the total amount of CZK 692,110 thousands. Parties agree that after this set-off AF still has an interest bearing claim receivable towards PEas in the amount of CZK 56,110 thousands.

As a subsequent step following the share swap, the squeeze out of the remaining minority shareholders is planned. This process should be finalized within the third quarter of the year 2013.

After the process of significant restructuring performed during the year 2012, management of the company plans to dampen the level of business to the necessary level, however management still believes that it remains appropriate to prepare the financial statements on a going concern basis

AUDITORSKÁ A DAŇOVÁ KANCELÁŘ, s.r.o.

Husitská 344/63, PRAHA 3, IČ: 64939090

member of The Chamber of Auditors of the Czech Republic, licence number:
181; registered under C41974 in the Commercial register in Prague

INDEPENDENT AUDITOR'S REPORT
to the Shareholders of Phoenix Energy, a. s.
for the period ended 31 December 2012

Phoenix Energy a.s.

Date of the report: 28. 6. 2013



We have audited the accompanying Consolidated Financial Statements of Phoenix Energy a. s., which comprise the statement of financial position as of 31 December 2012, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant policies and other explanatory notes. Information about the company is set out in Note 1 to these Consolidated Financial Statements.

Statutory Body's Responsibility for the Consolidated Financial Statements

The statutory body of Phoenix Energy a.s. is responsible for the preparation and fair presentation of Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines are necessary to enable the preparation of Consolidate Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidate Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of Phoenix Energy, a. s. as at 31 December 2012, and its financial performance for the year then ended, give a true and fair view of the assets and liabilities Phoenix Energy a.s. and of its expenses, revenues, and its cash flows for the year in accordance with International Financial Reporting Standards as adopted by the European Union, on 28 June 2013.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 33 (Subsequent Events and going concern) of the Consolidated Financial Statements.

Phoenix Energy a.s. loss for the financial period of 2012 amounted to MCZK 540 and its equity decreased to negative MCZK 71 as of 31. 12. 2012. Company has not performed any specific steps for resolution of this negative equity.

Phoenix Energy a.s. earned during the financial year revenues of MCZK 275. This result is three times lower than in the previous period of 2011 and if this should be trend also in the future, revenues would not be sufficient for the covering of expenses of the Company.

In particular, we emphasize that as of 31 December 2012 the Company is significantly dependent on external financing. Current liabilities of the Company exceed current assets by MCZK 84.

Based on the above mentioned, assets of the Company are not sufficient for covering the liabilities and any potential negative development in collection of receivables or realization of other assets could have negative impact on the Company's ability to repay its liabilities in the future.

Additionally mentioned facts, such as interest from liabilities, liability to Financial authority (see Auditor's Report of Photon Energy a.s. 2011) and related interest and potential sanctions; represent significant uncertainty for the further future development of the Company's existence, even the accompanying financial statements were prepared on the going concern principle.

AUDITORSKÁ A DAŇOVÁ KANCELÁŘ s.r.o.
Husitská 344/63, 130 00 Praha 3
Licence Number: 181
Auditor: Ing. Pavel Antoš
Licence Number: 1416
Date: 28.6.2013



5.4. Audited IFRS unconsolidated financial statements for 2012

Phoenix Energy a.s. - 31. 12. 2012

Czech Statutory Financial Statement Forms (in Czech crowns)

BALANCE SHEET - LONG FORM

		Current year			Prior year 2011
		Gross	Allowances	Net	Net
	TOTAL ASSETS	836,543,232	-63,290,855	773,252,377	918,221,493
A.	STOCK SUBSCRIPTION RECEIVABLE				
B.	FIXED ASSETS	36,236,352	-28,555,694	7,680,658	192,223,369
B. I.	Intangible assets	0	0	0	0
B. I. 1	Foundation and organization expenses				
2	Research and development				
3	Software				
4	Patents, royalties and similar rights				
5	Goodwill				
6	Other intangible assets				
7	Intangible assets in progress				
8	Advances granted for intangible assets				
B. II.	Tangible assets	1,238,832	-54,000	1,184,832	1,005,000
B. II. 1	Land	374,494		374,494	374,494
2	Constructions				
3	Separate movable items and groups of movable items	270,000	-54,000	216,000	630,506
4	Perennial crops				
5	Livestock				
6	Other tangible assets				
7	Tangible assets in progress	594,338		594,338	
8	Advances granted for tangible assets				
9	Gain or loss on revaluation of acquired property				
B. III.	Financial investments	34,997,520	-28,501,694	6,495,826	191,218,368
B. III. 1	Subsidiaries				
2	Associates	34,732,870	-28,501,694	6,231,176	190,953,718
3	Other long-term securities and interests	264,650		264,650	264,650
4	Loans to subsidiaries and associates				
5	Other long-term investments				
6	Long-term investments in progress				
7	Advances granted for long-term investments				
C.	CURRENT ASSETS	800,300,580	-34,735,161	765,565,419	725,711,000
C. I.	Inventory	0	0	0	0
C. I. 1	Materials				
2	Work in progress and semi-finished production				
3	Finished products				
4	Livestock				
5	Goods				
6	Advances granted for inventory				
C. II.	Long-term receivables	649,353,682	-34,140,000	615,213,682	434,641,000

C. II.	1	Trade receivables	614,802,586		614,802,586	
	2	Receivables from group companies with majority control	34,551,096	-34,140,000	411,096	431,440,000
	3	Receivables from group companies with control of 20% - 50%				
	4	Receivables from partners, co-operative members and participants in association				
	5	Long-term advances granted				
	6	Unbilled revenue				
	7	Other receivables				3,201,000
	8	Deferred tax asset				
C. III.		Short-term receivables	145,399,853	-595,161	144,804,692	286,161,711
C. III.	1	Trade receivables	41,808,569		41,808,569	104,950,436
	2	Receivables from group companies with majority control				165,128,006
	3	Receivables from group companies with control of 20% - 50%				
	4	Receivables from partners, co-operative members and participants in association	3,690,788		3,690,788	2,968,687
	5	Social security and health insurance				
	6	Due from government - tax receivables	588,195		588,195	3,465,870
	7	Short-term advances granted	1,901,009		1,901,009	1,592,696
	8	Unbilled revenue				
	9	Other receivables	97,411,292	-595,161	96,816,131	8,056,016
C. IV.		Short-term financial assets	5,547,046	0	5,547,046	4,908,290
C. IV.	1	Cash	55,233		55,233	80,959
	2	Bank accounts	5,491,812		5,491,812	4,827,331
	3	Short-term securities and interests				
	4	Short-term financial assets in progress				
D.		OTHER ASSETS - TEMPORARY ACCOUNTS OF ASSETS	6,300	0	6,300	287,125
D. I.		Accrued assets and deferred liabilities	6,300	0	6,300	287,125
D. I.	1	Prepaid expenses	6,300		6,300	287,125
	2	Prepaid expenses (specific-purpose expenses)				
	3	Unbilled revenue				

Czech Statutory Financial Statement Forms (in Czech crowns)

BALANCE SHEET - LONG FORM

		Current year	Prior year 2011
	TOTAL EQUITY & LIABILITIES	773,252,378	918,221,493
A.	EQUITY	-102,479,969	-37,762,877
A. I.	Basic capital	2,300,000	2,300,000
A. I. 1	Registered capital	2,300,000	2,300,000
2	Own shares and own ownership interests (-)		
3	Changes in basic capital		
A. II.	Capital funds	14,700,000	14,700,000
A. II. 1	Share premium (agio)	14,700,000	14,700,000
2	Other capital funds		
3	Gain or loss on revaluation of assets and liabilities		
4	Gain or loss on revaluation of company transformations		
A. III.	Reserve funds and other funds created from profit	235,735	235,735
A. III. 1	Legal reserve fund	235,735	235,735
2	Statutory and other funds		
A. IV.	Profit (loss) for the previous years	-54,998,860	1,235,388
IV. 1	Retained earnings for the previous years		1,235,388
2	Accumulated loss of previous years	-54,998,860	
A. V.	Profit (loss) for the year (+ / -)	-64,716,844	-56,234,000
B.	LIABILITIES	875,732,347	955,984,370
B. I.	Provisions	0	2,850,904
B. I. 1	Provisions created under special legislation		
2	Provision for pensions and similar obligations		
3	Provision for corporate income tax		2,850,904
4	Other provisions		
B. II.	Long-term liabilities	678,000,000	0
B. II. 1	Trade payables		
2	Liabilities to group companies with majority control		
3	Liabilities to group companies with control of 20% - 50%		
4	Liabilities to partners, co-operative members and participants in association		
5	Advances received		
6	Bonds payable		
7	Notes payable		
8	Unbilled deliveries		
9	Other liabilities	678,000,000	
10	Deferred tax liability		
B. III.	Current liabilities	197,732,347	932,493,466
B. III. 1	Trade payables	26,184,726	33,525,500
2	Liabilities to group companies with majority control	1,715,005	891,979,305
3	Liabilities to group companies with control of 20% - 50%		
4	Liabilities to partners, co-operative members and participants in association	50,940	

5	Liabilities to employees	724,454	1,416,009
6	Liabilities arising from social security and health insurance	147,436	459,328
7	Due to government – taxes and subsidies	12,618,662	3,379,201
8	Advances received	14,998	
9	Bonds payable		
10	Unbilled deliveries	1,771,184	1,734,123
11	Other liabilities	154,504,943	0
B. IV.	Bank loans and borrowings	0	20,640,000
B. IV. 1	Long-term bank loans		
2	Short-term bank loans		0
3	Borrowings		20,640,000
C.	OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES	0	0
C. I.	Accrued liabilities and deferred assets	0	0
C. I. 1	Accruals		
2	Deferred income		

INCOME STATEMENT - LONG FORM

			Current year	Prior year 2011
I.	1	Revenue from sale of goods	12,966,713	
A.	2	Cost of goods sold	11,572,251	
+		Gross margin	1,394,462	0
II.		Production	15,176,966	91,406,996
II.	1	Revenue from sale of finished products and services	15,176,966	91,406,996
	2	Change in inventory produced internally		
	3	Own work capitalized		
B.		Production related consumption	44,231,515	72,565,284
B.	1	Consumption of material and energy	1,014,157	813,542
B.	2	Services	43,217,358	71,751,742
+		Value added	-27,660,088	18,841,712
C.		Personnel expenses	14,323,506	21,086,512
C.	1	Wages and salaries	5,511,326	9,929,826
C.	2	Bonuses to members of company or cooperation bodies	5,404,787	7,066,909
C.	3	Social security and health insurance	3,337,385	4,031,037
C.	4	Other social costs	70,008	58,740
D.	1	Taxes and charges	21,384	42,000
E.	1	Amortization and depreciation of intangible and tangible fixed assets	169,767	121,516
III.		Revenue from sale of intangible and tangible fixed assets and materials	133,730	60,813
III.	1	Revenues from sale of intangible and tangible fixed assets	133,730	60,813
	2	Revenue from sale of materials		
F.		Net book value of intangible and tangible fixed assets and materials sold	244,739	0
F.	1	Net book value of intangible and tangible fixed assets sold	244,739	
F.	2	Materials sold		
G.	1	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	23,481,264	-166,878
IV.	1	Other operating revenues	430,072,165	18,278,885
H.	2	Other operating expenses	430,480,812	20,284,813
V.	1	Transfer of operating revenues		
I.	2	Transfer of operating expenses		
*		Profit or loss on operating activities	-66,175,665	-4,186,552
VI.	1	Revenue from sale of securities and interests	670,259,097	14,778,329
J.	2	Securities and interests sold	645,667,237	32,351,942
VII.		Income from financial investments	0	0
VII.	1	Income from subsidiaries and associates		
	2	Income from other long-term securities and interests		
	3	Income from other financial investments		
VIII.	1	Income from short-term financial assets		
K.	2	Expenses related to financial assets		
IX.	1	Gain on revaluation of securities and derivatives		
L.	2	Loss on revaluation of securities and derivatives		

M.	1	Change in provisions and allowances relating to financial activities		39,160,000
X.	1	Interest income	28,228,351	38,027,996
N.	2	Interest expense	24,704,631	28,134,682
XI.	1	Other finance income	12,260,017	9,404,958
O.	2	Other finance cost	38,847,046	11,134,007
XII.	1	Transfer of finance income		
P.	2	Transfer of finance cost		
*		Profit or loss on financial activities	1,528,551	-48,569,348

			Current year	Prior year 2009
Q.		Tax on profit or loss on ordinary activities	69,730	3,478,100
Q.	1	- due	69,730	3,478,100
Q.	2	- deferred		
**		Profit or loss on ordinary activities after taxation	-64,716,844	-56,234,000
XIII.	1	Extraordinary gains		
R.	2	Extraordinary losses		
S.	1	Tax on extraordinary profit or loss	0	0
S.	1	- due		
S.	2	- deferred		
*		Extraordinary profit or loss	0	0
T.	1	Transfer of share of profit or loss to partners (+/-)		
***		Profit or loss for the year (+/-)	-64,716,844	-56,234,000
****		Profit or loss before taxation	-64,647,114	-52,755,900

5.5. Notes to the unconsolidated financial statements

1st Description of the Business and Major Areas of Operation

1.1 Basic Information

Name: Phoenix Energy a.s.
Legal status: Joint stock company
Address: Prague 2 - Vinohrady, U Zvonařky 448/16, postal code: 120 00
Registration: Municipal Court in Prague, Section B, File No. 13779
Corporate ID (IČ): 28223250
Tax ID: CZ28223250

Phoenix Energy a.s. (hereinafter the "Company") was incorporated on 10 January 2008 under the original name Photon Energy a.s.

On 16 October 2008, the Company's shares were introduced for trading at the Warsaw Stock Exchange on the NewConnect market, which is regulated by the stock exchange.

1.2 Incorporation and Description of the Business

The Company is an integrated developer of photovoltaic power plants. The Company renders services primarily through its subsidiaries. At the same time, the Company also provides for corporate management of the subsidiaries.

1.3 Controlling Entities

According to the information, which is available to the Company's Board of Directors, the Company's shareholder structure was as follows as of 31 December 2012.

Shareholder	Number of shares	Ownership percentage	Number of votes on the General Meeting	% of votes on the General Meeting
Phoenix Energy Minority Shareholders B.V.	17,047,777	74.12%	17,047,777	74.12%
Other shareholders	5,952,223	25.88%	5,952,223	25.88%
Total	23,000,000	100.00%	23,000,000	100.00%

1.4 Statutory Bodies of the Company

The Company's statutory bodies are represented by the Board of Directors and the Supervisory Board. The composition thereof was as follows as of 31 December 2012.

Board of Directors

Name	Position	Member since
Pavel Kolrus	Chairman	8 October 2012
Vlastimil Matula	Vice-Chairman	8 October 2012
Eduard Kirchner	Vice-Chairman	10 December 2012

On 8 October 2012 Michal Gärtner, George Hotar and Petra Bednářová ceased to be members of the Company's Board of Directors. Two members of the Board of Directors always act together on behalf of the Company when dealing with third parties and before courts and other authorities.

Supervisory Board

Name	Position	Member since
Daniel Goris	Chairman	8 October 2012
Dennis De Rijk	Member	8 October 2012
Mirko D'Alberto	Member	10 December 2012

The following changes in the Supervisory Board were made in 2012:

- The membership of Petra Bednářová and Magda Gärtnerová ceased to exist on 8 October 2012;
- The membership of Jiří Mazánek ceased to exist on 19 July 2012;
- Petr Novotný became and ceased to be member of the Supervisory Board on 28 March 2012 and 8 October 2012, respectively;
- Daniel Goris was appointed member of the Supervisory Board on 8 October 2012;
- Dennis De Rijk was appointed member of the Supervisory Board on 8 October 2012; and
- Mirko D`Alberto was appointed member of the Supervisory Board on 10 December 2012.

1.6 Organisational Structure

Due to the low number of the Company's employees the Company has not developed an official organisational structure and the Company's employees report directly to the Company's statutory bodies.

1.7 Investments Held in Companies and Coops

Companies where the Company exercises controlling or significant influence as of 31 December 2012 are shown in the table below (in CZK thousand).

#	Name	Investment	Acquisition cost	Equity as at 31 Dec 2012*	Country of registration
1	Photon Finance s.r.o.	100%	500	565	CZ
2	Photon Electricity s.r.o.	100%	200	153	CZ
3	Střešní burza s.r.o.	100%	1,000	432	CZ
4	Solární věčná břemena s.r.o.	100%	200	(29)	CZ
5	Photon FinCo s.r.o.	100%	200	178	CZ
6	GOLF CLUB GRÝGOV s.r.o.	100%	24,900	1,401	CZ
7	Photon Engineering Slovensko s.r.o.	100%	152	(22,986)	SK
8	Photon Energy Italia s.r.l.	100%	2,427	(4,351)	IT
9	Photon Engineering Italia s.r.l.	100%	2,441	(3,823)	IT
Total			31,020	(28,460)	

*Based on non-audited figures.

Further, the Company carries a 5.88% ownership interest in Alpensolar Einkauf GmbH in the amount of CZK 265 thousand. Alpensolar Einkauf GmbH entered into a voluntary liquidation process in 2010.

Companies where the Company exercises controlling or significant influence as of 31 December 2011 are shown in the table below (in CZK thousand).

#	Name	Investment	Acquisition cost	Equity as at 31 Dec 2011*	Country of registration
1	Photon Engineering s.r.o.	100%	1,000	130,214	CZ
2	Photon Trading s.r.o.	100%	200	27,914	CZ
3	Photon Finance s.r.o.	100%	500	708	CZ
4	Photon Management s.r.o.	100%	200	126	CZ
5	Photon Electricity s.r.o.	100%	200	154	CZ
6	Střešní burza s.r.o.	100%	1,000	1,134	CZ
7	Solární věcná břemena s.r.o.	100%	200	-26	CZ
8	Photon Corporate Services s.r.o.	100%	200	-97	CZ
9	Photon FinCo s.r.o.	100%	200	178	CZ
10	Photon Import s.r.o.	100%	200	100,798	CZ
11	GOLF CLUB GRÝGOV s.r.o.	100%	24,900	1,385	CZ
12	SUN4ENERGY ZVB, s.r.o.	100%	16,121	14,928	SK
13	SUN4ENERGY ZVC, s.r.o.	11%	16,121	14,991	SK
14	Photon Engineering Slovensko s.r.o.	100%	152	-17,936	SK
15	Photon Management Slovensko s.r.o.	100%	152	209	SK
18	ATS Energy, s.r.o.	70%	13,717	13,893	SK
19	Fotonika, s.r.o.	60%	19,750	16,155	SK
20	Photon SK SPV 1 s.r.o.	50%	6,299	13,660	SK
21	Photon SK SPV 2 s.r.o.	100%	14,481	14,391	SK
22	Photon SK SPV 3 s.r.o.	100%	14,481	14,582	SK
27	Photon Energy Polska Sp.z.o.o.	100%	0	-634	PL
28	Photon Energy Australia Pty Ltd.	100%	2	-5,049	AUS
29	Photon Energy Italia s.r.l.	100%	2,427	-8,017	IT
30	Photon Engineering Italia s.r.l.	100%	2,441	-9,238	IT
31	Photon Management Italia s.r.l.	100%	485	-2,777	IT
32	Photon Energy Investments CZ N.V.	100%	2,142	1,187	NL
33	Photon Energy Deutschland GmbH	100%	2,451	1,146	DE
34	Photon Engineering Deutschland GmbH	100%	2,451	1,136	DE
35	Photon Management GmbH	100%	613	-602	DE
36	Eco Plan 2 s.r.o.	100%	19,085	16,302	SK
37	Eco Plan 3 s.r.o.	100%	19,085	16,371	SK
38	Solarpark Myjava, s.r.o.	50%	7,358	15,282	SK
39	Solarpark Polianka, s.r.o.	50%	7,360	14,948	SK
Total			195,974	387,413	

* Based on non-audited figures with the exception of Photon Engineering and Photon Trading.

As of 31 December 2011, the Company created provisions in the amount of the acquisition cost against the following companies: Photon Engineering Slovensko s.r.o., Photon Energy Italia s.r.l. and Photon Engineering Italia s.r.l.; these provisions amount to a total of CZK 5,020 thousand (2010: CZK 0).

Note: Substantial influence is an influence greater than 20%.

Explanations:

CZ- Czech Republic

SK- Slovak Republic

NL- Netherlands

IT- Italy

DE-Germany

PL- Poland

AUS- Australia

2nd Basis of Preparation of the Financial Statements

The accompanying financial statements were prepared in accordance with the Accounting Act and the regulation which provides implementation guidance on the Accounting Act in the wording effective for 2012 and 2011.

3rd General Accounting Principles

The Company applied the following valuation methods in preparing the financial statements for the years ended 31 December 2012 and 2011:

(a) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are stated at their acquisition cost. Tangible and intangible fixed assets with a cost below CZK 40 thousand and CZK 60 thousand, respectively, are not reported on the face of the balance sheet and are charged to expenses in the year the assets are acquired.

Depreciation and Amortisation

Depreciation and amortisation charges are calculated with reference to the acquisition cost and estimated useful lives of the relevant assets. The estimated useful life is determined as follows:

Asset	Method	Depreciation period
Machinery and equipment	Straight-line	5 years
Vehicles	Straight-line	5 years

(b) Financial Assets

Current financial assets are composed of cash on hand and cash at bank.

(c) Non-current Financial Assets

Non-current financial assets primarily include equity investments in controlled entities and associates, debt securities where the Company has an intention and ability to hold such debt securities until their maturity, and other long-term securities where the Company's intention is usually not known at the moment of acquisition.

Non-current financial assets are carried at their acquisition cost. The acquisition cost includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the balance sheet date, equity investments are stated at their acquisition cost. In the event the recoverable amount of the relevant investment declines temporarily, the Company creates a provision.

(d) Receivables

Receivables are stated at their nominal value. The value of doubtful amounts is reduced by appropriate provisions as described in the "Determining Provisions and Reserves" Note.

(e) Determining Provisions and Reserves

Receivables and Loans

The Company establishes provisions against doubtful receivables and loans on the basis of an internal analysis of the customer's and debtor's financial health and with reference to an aging analysis.

Reserves

A reserve for outstanding vacation days is established at the balance sheet date on the basis of an analysis of outstanding vacation days for the relevant accounting period and the average payroll costs, including social security and health insurance costs by individual employees.

The reason for the Company creating a reserve for income taxes is that the moment when the level of the tax liability is determined is preceded by the moment of preparation of the financial statements. The Company releases the income tax reserve in the next accounting period and recognises the identified tax liability.

In the balance sheet, the reserve for income taxes is reduced by any advances paid for income tax and a potential resulting receivable is reported in the "State – tax receivables" item.

(f) Foreign Currency Translation

Transactions denominated in foreign currencies are translated at the daily foreign exchange rate of the Czech National Bank.

At the balance sheet date, assets and liabilities denominated in a foreign currency are translated using the effective exchange rate promulgated by the Czech National Bank. Unrealised foreign exchange rate gains and losses are recorded in profit or loss.

(g) Research and Development

The Company records research costs directly to the relevant expense account. The register of such costs is maintained separately.

(h) Leases

When accounting for assets held under lease agreements, the Company charges lease instalments into expenses over the lease period. Upon terminating a lease contract and exercising the purchase option, the leased asset is included in the Company's assets at the acquisition cost thereof. Instalments for other assets held under lease agreements are also expensed over the lease period.

(i) Income Taxation

Income tax for the relevant accounting period is composed of a current tax payable and a change in deferred tax.

The tax currently payable includes an estimate of tax calculated from the tax base at the tax rate applicable on the first day of the accounting period, and any additionally assessed or returned taxes for previous periods.

Deferred tax is based on any temporary differences between the tax base of an asset or a liability and its carrying amount, and/or other temporary differences (tax losses), using the income tax rate that is expected to apply in the period in which the tax liability is settled or the asset realised.

Deferred tax asset is only recognised when it is likely to be recovered in the following accounting periods.

(j) Classification of Payables

The portion of long-term payables, bank loans and financial borrowings maturing within one year from the balance sheet date is included in short-term payables, bank loans and financial borrowings.

(k) Revenue and Expense Recognition

Income and expenses are accounted for on an accruals basis, i.e. in the period to which they relate on both a timely and factual basis. The Company charges to expenses created reserves and provisions intended to cover all risks, losses and impairments that are known to the Company as at the date of the financial statements' preparation.

Sales of services are recorded at the date of the services' provision.

(l) Consolidation

The Company prepares consolidated financial statements for the purposes of the stock exchange and the consolidated financial statements will be proportionally included in the consolidated financial statements of Photon Energy N.V. registered in the Netherlands. The consolidated financial statements where the Company is included will be published in compliance with the provision of Section 21 of the Accounting Act.

4th Fixed Assets
Tangible Fixed Assets

<i>In CZK thousand</i>	Land	Individual movable assets	Tangible fixed assets under construction	Total
Acquisition cost				
Balance at 1 Jan 2012	374	797	0	1,171
Additions	-	-	594	594
Balance at 31 Dec 2012	374	270	594	1,238
Accumulated depreciation				
	-			
Balance at 1 Jan 2012	-	(167)	-	(167)
Depreciation charges	-	(54)	-	(54)
Balance at 31 Dec 2012	-	(54)	-	(54)
Net book value at 31 Dec 2011	374	630	0	1,004
Net book value at 31 Dec 2012	374	216	594	1,184

5th Leases

(a) Financial Leases

Based on the lease contracts entered into, the Company is obliged to pay lease instalments for finance leases of vehicles as follows.

2011

<i>In CZK thousand</i>	Total lease instalments	Paid as at 31 Dec 2011	Due within 1 year	Due in 1 to 5 years	Due in the next years
Passenger cars	492	492	-	-	-
Total	492	492	-	-	-

(b) Operating Leases

Based on the lease contracts entered into, the Company is obliged to pay lease instalments for operating leases of office equipment as follows.

2012

<i>In CZK thousand</i>	Total lease instalments	Paid as at 31 Dec 2012	Due within 1 year	Due in 1 to 5 years	Due in the next years
Office equipment	66	66	-	-	-
Total	66	66	-	-	-

2011

<i>In CZK thousand</i>	Total lease instalments	Paid as at 31 Dec 2011	Due within 1 year	Due in 1 to 5 years	Due in the next years
Office equipment	66	40	26	-	-
Total	66	40	26	-	-

6th Current Financial Assets

The balances on accounts as of 31 December 2012 and 2011 were CZK 5,547 thousand and CZK 4,908 thousand, respectively. No restrictions were imposed on the accounts' balances.

7th Trade Receivables and Payables

Short-term trade receivables amounted to CZK 41,809 thousand (2011: CZK 104,951 thousand). Of that amount, receivables past their due date accounted for CZK 40,577 thousand (2011: CZK 14,880 thousand).

Aging of Receivables

<i>In CZK thousand</i>	2012	2011
Within maturity	1,232	90,071
Past the due date:		
Up to 3 months	2,485	333
3 to 6 months	12,789	3,430
6 to 12 months	687	11,117
Greater than 12 months	24,616	-
Total	41,809	104,951

Short-term trade payables amounted to CZK 26,185 thousand (2011: CZK 33,526 thousand). Of that amount, payables past their due date accounted for CZK 18,318 thousand (2011: CZK 9,244 thousand).

Long-term payable in the amount of CZK 678,000 thousands represents liability provided by former subsidiary Photon Engineering s.r.o., which due date has been prolonged till year 2020. Interest charge is equal to 3% p.a.

Other payables represent mostly payables to former subsidiaries sold during the year 2012.

Aging of Payables

<i>In CZK thousand</i>	2012	2011
Within maturity	7,867	24,282
Past the due date:		
Up to 3 months	11,605	6,522
3 to 6 months	3,638	1,258
6 to 12 months	2,135	1,464
Greater than 12 months	940	-
Total	26,185	33,526

8th Other Receivables

Other receivables in a total amount of CZK 40,075 thousand (2011: CZK 8,650 thousand) primarily include loans granted to business partners in the amount of CZK thousand. The Company created a provision against other receivables in a total amount of CZK 595 thousand (2011: CZK 594 thousand).

Long-term receivables in the amount of 614,803 thousands represent receivable from Photon Energy Investments SK N.V. resulting from the sale of companies during the year 2012 (see Note 13).

Interest charge is equal to 3%. Due date of the receivable is June 2017.

9th Share Capital

The Company's share capital as of 31 December 2012 is composed of 23,000,000 ordinary shares of bearer stock with a nominal value of CZK 0.10 per share. Those shares represent the total value of the share capital in the amount of CZK 2,300 thousand. Share premium in the amount of CZK 14,700 thousand originated upon an increase in the share capital as at 10 September 2008. Both the share capital and share premium have been recorded in the Register of Companies and repaid in full.

	2012	2011
Number of shares	23,000,000	23,000,000
Nominal value of one share (in CZK)	0.1	0.1
Value of the share capital (in CZK thousand)	2,300	2,300

10th Equity

Schedule of movements of the equity

<i>In CZK thousand</i>	Share capital	Share premium	Profit or loss of the current period	Retained earnings	Accumulated losses	Statutory reserve fund	Total
Balance at 1 Jan 2012	2,300	14,700	(56,234)	1,235	-	236	(37,763)
Allocations to funds	-	-	-	-	-	-	-
Transfer of the profit (loss)	-	-	56,234	(1,235)	(54,999)	-	-
Loss of 2012	-	-	(64,717)	-	-	-	(64,717)
Balance at 31 Dec 2012	2,300	14,700	(64,717)	-	(54,999)	236	(102,480)

Planned settlement/roll forward of the loss of the current period:

In CZK thousand

Loss of the current period	(64,717)
Retained earnings	(54,999)
Accumulated loss brought forward	(102,480)

11th Loans

The Company did not draw any bank loans as of 31 December 2012.

The short-term financial borrowing drawn in 2011 (CZK 20,640 thousand) was re-financed.

12th Details of Income

The Company primarily generates income from the provision of services to its subsidiaries.

<i>In CZK thousand</i>		In-country sales	Cross-border sales	Total
Provision of services	2012	15,177	0	15,177
	2011	67,608	23,799	91,407
Sales of goods	2012	12,967	0	12,967
	2011	0	0	0
Total	2012	28,144		28,144
	2011	67,608	23,799	91,407

13th Sale of Shares and Investments

Income and expenses from the sale of business interests as of 31 December 2012 relate to the sale of investments in the following companies:

Company

Photon SK SPV 1 s.r.o.

Photon SK SPV 2 s.r.o.

Photon SK SPV 3 s.r.o.

EcoPlan 2 s.r.o.

EcoPlan 3 s.r.o.

SUN4ENERGY ZVB, s.r.o.

SUN4ENERGY ZVC, s.r.o.

Fotonika, s.r.o.

ATS Energy, s.r.o.

Solarpark Myjava s.r.o.

Solarpark Polianka s.r.o.

Photon Energy Polska Sp. z o.o.

Photon Energy Australia Pty Ltd.

Photon Management s.r.l.

Photon SPV 1 s.r.o.

Photon SPV 2 s.r.o.

Photon SPV 5 s.r.o.

Solarpark Mikulov I s.r.o.

Solarpark Mikulov II s.r.o.

Solarpark Mikulov I s.r.o.

Solarpark Mikulov II s.r.o.

Photon Energy Investments CZ N.V.

IPVIC GbR

Photon Energy Deutschland GMBh

Photon Engineering Deutschland GMBh

Photon Management Deutschland GMBh

Income and expenses from the sale of business interests as of 31 December 2011 relate to the sale of investments in the following companies: Energy Solutions s.r.o., Energy Profit s.r.o., MaxEnergy, s.r.o., SUN4ENERGY BB, s.r.o., Photon Energy IT N.V., Photon Energy SK N.V. and Photon Energy DE N.V.

<i>In CZK thousand</i>	Proceeds from the sale of business interests		Costs of the sale of business interests	
	2012	2011	2012	2011
Sale of shares and investments	670,259	14,778	645,667	32,352
Total	670,259	14,778	645,667	32,352

14th Other Operating Income and Expenses

Other operating income and expenses primarily include assigned receivables in the amount of CZK 428,278 thousand with a nominal value of CZK thousand.

15th Related Parties

(a) Trade Receivables and Payables

Trade receivables and payables as described in Note 8 include the following account balances that relate to transactions with Group entities.

In CZK thousand	Receivables at 31 Dec		Payables at 31 Dec	
	2012	2011	2012	2011
ATS Energy s.r.o.	-	-	10	-
PHOTON ENERGY AUSTRALIA PTY LTD	2,437	7,298	-	-
Photon Energy Corporate Services CZ s.r.o.	2,565	-	18,323	8,880
Photon Energy Corporate Services DE GmbH	851	4,465	-	-
Photon Energy Engineering Europe GmbH	2,299	32	5	-
Photon Energy Investments CZ N.V.	1,048	781	-	-
Photon Energy Investments IT N.V.	314	-	-	-
Photon Energy Italia s.r.l.	4,864	4,810	-	-
PHOTON ENERGY N.V.	1,154	-	-	-
Photon Energy Operations DE GmbH	598	-	-	-
Photon Energy Operations SK s. r. o.	1,001	-	-	-
Photon Energy Projects B.V.	167	-	-	-
Photon Engineering Italia s.r.l.	5,434	5,527	-	-
Photon Finance s.r.o.	1,450	8,423	-	7,200
PHOTON MANAGEMENT S.R.L.	356	351	-	-
Photon Management s.r.o.	715	2,693	-	-
Photon Management Slovensko s.r.o.	749	942	-	-
Photon Trading s.r.o.	-	7,421	-	11
Photon Engineering s.r.o.	-	38,606	-	-
Photon Import s.r.o.	-	15,091	-	-
Photon Engineering Slovensko s.r.o.	-	4,615	-	-
Photon SPV 5 s.r.o.	150	127	-	-
Střešní burza s.r.o.	-	2,746	626	7800
SUN4ENERGY ZVB, s. r. o.	-	-	2	-
SUN4ENERGY ZVC, s. r. o.	-	-	2	-
Total	26,152	103,928	18,968	23,891

(b) Related Party Transactions

Income and expenses from the sales of services:

<i>v tis. Kč</i>	Sales of services for the year		Expenses for services for the year		Re-invoiced expenses for the year *	
	2012	2011	2012	2011	2012	2011
Photon Finance s.r.o.	222	3,096	-	7,200	4	-
Photon Management s.r.o.	564	1,039	-	10	98	-
Střešní burza s.r.o.	-	-	-	7,800		-
Photon Engineering Slovensko s.r.o.	176	1,287	-	609	111	2,805
Photon Management Slovensko s.r.o.		932	-	-		9
Photon Energy Operations SK s. r. o.	605	-	324		324	
Photon SPV 5 s.r.o.	19	-		-	19	71
Photon Trading s.r.o.	-	7,404	-	-	-	2
Photon Engineering s.r.o.	-	39,101	-	838	-	1,143
Photon Import s.r.o.	-	15,091	-	-	-	-
Photon Corporate Services s.r.o.	1,076	-	15,259	7,400	891	-
Photon Energy Italia	181	4,810	-	-	-	-
Photon Engineering Italia	50	5,518	-	-	-	8
Photon Management Italia	363	351	-	-	-	-
Photon Energy Deutschland		196	-	-	-	32
Photon Engineering Deutschland	128	3,615	1,406		-	-
Photon Management Deutschland		654		-	-	-
Photon Energy Corporate Services DE GmbH	680	-	150	-	98	-
Photon Energy Operations DE GmbH	610	-	-	-	-	-
Photon DE SPV 2 GmbH		-	-	-	-	191
Photon Energy Australia	2,424	5,615	242	-	242	1,501
Photon Investments CZ NV	292	781	-	-	-	-
Photon Investments DE NV		328	-	-	-	-
Photon Investments IT NV		323	-	-	-	-
PHOTON ENERGY N.V.	948	-	-	-	182	-
Photon Energy Investments N.V.	4,259	-	-	-	-	-
Photon Investments SK NV	-	171	-	-	-	-
Photon Energy Projects B.V.	135	-	-	-	135	-
Total	12,733	90,312	17,381	24,257	2,104	5,762

*The re-invoicing has no impact on the results of the Company's operations and only has a balance sheet effect in the statements.

All major transactions with related parties were carried out at arm's length prices.

(c) Remuneration and Loans Provided to Members of the Statutory Bodies

<i>In CZK thousand</i>	Board of Directors		Supervisory Board	
	2012	2011	2012	2011
Number of members	3	3	3	3
Remuneration for the performance of the position	5,405	6,942	125	125
Loans granted to members	3,691	2,969	-	-

(d) Receivables and Payables from the Loans Granted to and Received from Related Entities**Loans granted:**

<i>In CZK thousand</i>	Loans granted	Interest income	Loans granted	Interest income
	At 31 Dec 2012	For 2012	At 31 Dec 2011	For 2011
Photon Corporate Services s.r.o.	-	-	6,289	-
Photon Trading s.r.o.	-	-	48,049	-
Photon Finance s.r.o.	4,388	-	3,581	-
Photon Management s.r.o.	3,687	45	5,319	-
Photon SPV 1 s.r.o.	-	-	16,737	-
Photon SPV 2 s.r.o.	1,255	38	1,253	-
Photon SPV 3 s.r.o.	-	-	17,056	1,388
Photon SPV 4 s.r.o.	-	-	40,939	3,596
Photon SPV 5 s.r.o.	5	-	3	-
Photon SPV 6 s.r.o.	-	-	44,818	3,982
Photon SPV 7 s.r.o.	-	-	-	-
Photon SPV 8 s.r.o.	-	-	38,357	2,448
Photon SPV 10 s.r.o.	-	-	57,850	4,646
Photon SPV 11 s.r.o.	-	-	107,877	8,005
Solární věčná břemena s.r.o.	31	-	27	-
Solarpark Mikulov I. s.r.o.	2	-	2	-
Solarpark Mikulov II. s.r.o.	1,922	57	1,801	-
Střešní burza s.r.o.	72	-	4,427	-
Exit 90 SPV s.r.o.	-	-	45,397	3,189
Fotonika, s.r.o.	-	-	4,331	-
Onyx Energy s.r.o.	-	-	37,032	3,033
Onyx Energy Projekt II. s.r.o.	-	-	42,114	3,663
Photon Engineering Slovensko s.r.o.	35,724	-	34,548	-
Photon Management Slovensko s.r.o.	-	-	1,132	-
Photon SK SPV 1 s.r.o.	-	-	2,197	1,405
Photon SK SPV 2 s.r.o.	-	-	2,741	1,778

Photon SK SPV 3 s.r.o.	-	-	2,744	1,760
SUN4ENERGY BB s.r.o.	117	-	-	-
SUN4ENERGY ZVB s.r.o.	-	-	3,096	-
SUN4ENERGY ZVC s.r.o.	-	-	2,870	-
ATS Energy s.r.o.	-	-	9,101	-
Eco Plan 2 s.r.o.	-	-	1,840	1,926
Eco Plan 3 s.r.o.	-	-	3,613	2,000
Solarpark Myjava s.r.o.	-	-	362	1,774
Solarpark Polianka s.r.o.	-	-	742	1,679
Photon Energy Italia	25,041	1,059	12,128	84
Photon Engineering Italia	1,333	52	1,345	12
Photon Management Italia	-	-	66	2
Photon Energy Deutschland	791	23	3,578	10
Photon Engineering Deutschland	-	-	9,606	19
Photon Energy Australia	-	-	2,764	13
Photon Energy Polska	-	-	123	2
Photon Investments CZ NV	1,173	57	1,036	23
Photon Investments DE NV	3,660	185	4,632	66
Photon Investments IT NV	7,286	251	7,158	33
Photon Investments SK NV	-	-	13	-
Photon Energy NV	-	-	15	15
Photon Energy Investments N.V.	3,059	14	-	-
Photon Management Deutschland GmbH	179	3	-	-
Photon Energy Operations DE SW GmbH	20	-	-	-
Photon IT SPV 2 s.r.l.	13	-	-	-
Photon DE SPV 1 GmbH	5	-	-	-
Photon India SPV 1	95	-	-	-
Photon CZ Photovoltaic Holding Ltd.	147	-	-	-
Photon Photovoltaic EPC Services CZ Ltd.	100	-	-	-
Total	90,105	1,784	630,708	44,551

The Company created a provision against receivables from the loans granted to Photon Engineering Slovensko s.r.o., Photon Energy Italia and Photon Engineering Italia amounting to CZK 34,140 thousand as of 31 December 2011 (2010: CZK 0) due to the reduction or termination of these companies' operation in the near future.

In general, loans to Czech and Slovak group companies are granted free of interest. Exceptions include certain Slovak companies that draw a bank loan at the same time and that are charged interest at the amount of the interest on the bank loan, and the following Czech companies:

Photon SPV 3 s.r.o.
 Photon SPV 4 s.r.o.
 Photon SPV 6 s.r.o.
 Photon SPV 8 s.r.o.
 Photon SPV 10 s.r.o.
 Photon SPV 11 s.r.o.
 Exit 90 SPV s.r.o.
 Onyx Energy projekt II. s.r.o.
 Onyx Energy s.r.o.

For financing reasons, the parent company Photon Energy a.s. sold these subsidiaries with internal projects to Raiffeisen – Leasing Real Estate, s.r.o (hereinafter “RLRE”) in 2010. The parent company was entitled to exercise an option to repurchase a 100% business interest in those subsidiaries. In 2011 this option was transferred to the subsidiary Photon Energy Investments CZ N.V. and the investment in Photon Energy Investments CZ N.V. was transferred to Photon Energy Investments SK N.V. and Photon Energy Investments N.V in 2012.

Foreign companies, with the exception of Slovak companies, are charged interest at 3% p.a.

Loans received:

<i>In CZK thousand</i>	Loans received at 31 Dec 2012	Interest expense at 31 Dec 2012	Loans received at 31 Dec 2011	Interest expense at 31 Dec 2011
Photon Engineering s.r.o.	7	1,930	724,346	22,955
Photon Trading s.r.o.	-	-	882	1,138
Photon Finance s.r.o.	-	-	-	-
Photon Import s.r.o.	-	-	56,030	2,459
Photon SPV 5 s.r.o	-	-	-	3
Photon SPV 9 s.r.o.	168	10	173	5
Photon SPV 13 s.r.o.	-	15	-	-
Photon SPV 9 s.r.o.	-	-	-	-
Photon Electricity s.r.o.	142	10	-	-
Photon Corporate Services s.r.o.	2,385	36	-	1
Photon FinCo s.r.o.	163	0	178	5
Photon Electricity s.r.o.	0	0	155	4
GOLF CLUB GRYGOV s.r.o.	1,410	26	1,384	44
Solární věcná břemena s.r.o.	-	-	-	-
Photon SPV 4 s.r.o.	-	-	1	-
Photon Engineering Slovensko s.r.o.	-	-	-	-
Photon Energy NV	81,812	3,628	108,830	762
Photon DE SPV 3 GmbH	26	-	-	-
Photon DE SPV 5 GmbH	59	-	-	-
Střešní burza	-	1,815	-	-
Total	86,172	7,470	891,979	27,376

The total amount of interest expense of CZK 24,705 thousand reported in the profit & loss account is composed of interest

expense with respect to third parties in the amount of CZK 17,234 thousand and interest expense with respect to related parties in the amount of CZK 7,470 thousand.

The interest rate applicable to the loans received was 3% p.a. in the year ended 31 December 2012 (2011: 3% p.a.).

16th Employees and Managers

Average number of employees and managers, and staff costs for the years ended 31 December 2012 and 2011:

<i>In CZK thousand</i>	Number	Payroll costs	Social security and health insurance costs	Social costs
2012	3	5,511	3,337	70
2011	21	9,930	4,031	59

Managers include members of the Board of Directors, whose remuneration is disclosed separately in Note 17 (c).

17th Payables Arising from Social Security and Health Insurance

Payables arising from social security and health insurance in the amount of CZK 147 thousand as of 31 December 2012 (2011: CZK 459 thousand) are composed of payables from health insurance and payables from social security in the amount of CZK 47 thousand and CZK 100 thousand, respectively. None of these payables are past their due dates (2011: CZK 0 past the due date).

18th State – Tax Payables

Tax payables for the years ended 31 December 2012 and 2011:

<i>In CZK thousand</i>	2012	2011
Payables from value added tax	12,531	-
Payables from income tax on dependent activities	87	222
Payables from corporate income tax for 2011	-	3,157
Total	12,619	3,379

Tax payables amount to CZK 12,618 thousand (2011: CZK 3,379 thousand), of which 12,531 CZK thousand accounts for payables from value added tax past their due dates for the year ended 31 December 2012, and CZK thousand accounts for payables from income tax on dependent activities. The Company had not paid any portion of the due amounts as of the preparation date of the financial statements.

In 2012, the Company was included in the VAT group registration and was therefore liable for the obligations of other group members created during the existence of the group registration. Management of the Company is of the opinion that Company is not liable for the liabilities created before the date of the creation of group registration. The group registration ceased to exist as of 31 December 2012 upon an application for the cancellation of the group registration, and no payable arose for PE AS from this relationship.

19th Income Taxation

(a) Currently Payable Income Tax

The currently payable income tax includes a tax estimate for the taxation period 2012 in the amount of CZK 586 thousand (2011: CZK 2,851 thousand) and a specification of the tax estimate for the taxation period 2012 in the amount of CZK 0 (2011: CZK 627 thousand).

(b) Deferred Tax

The Company did not recognise a deferred tax asset arising from the established provisions in the amount of CZK 595 thousand to comply with the accounting principles as described in Note 3 (e) (such as the case was in 2011). The created provisions against business interests and loans to related parties do not constitute the basis for the calculation of the deferred tax asset because the difference involved is permanent.

20th Contingent Liabilities and Off Balance Sheet Commitments

The Company does not carry any contingent liabilities and off balance sheet commitments.

21st Research and Development

Photon Energy a.s. has been involved in research and development. Together with the Nuclear Research Institute in Řež, the Company is a co-author of a research project titled "Research and Development of Advanced Hydrogen Technologies for the Power and Transport Industries." Total costs spent on research and development in 2012 amounted to CZK 2,703 thousand (2011: CZK 704 thousands).

22nd Information on Fees Provided to Statutory Auditors

This information is disclosed in the Notes to the Consolidated Financial Statements where the Company's financial statements are incorporated.

23rd Subsequent Events and Going Concern

- In January 2013 amendments to the original contracts for the sale of the Slovak SPVs were signed and the due dates were moved to 30 March 2017.
- After 31 December 2012, the Company signed a transfer of investments in Ready Made Service s.r.o., registered in Prague, on 6 February 2013, whereby 100% of shares in the following companies were sold:
 - GOLF CLUB GRYGÓV s.r.o.;
 - Photon FinCo s.r.o.;
 - Photon Electricity s.r.o.;
 - Solární věcná břemena s.r.o.;
 - Střešní burza s.r.o.; and
 - Photon Finance s.r.o.

The total selling price for the above-mentioned investments was CZK 3,519 thousand.

- On 12 April 2013 the Company announced the process of exchanging the minority shareholders' shares. These shareholders were proposed an exchange of their shares in the Company for shares of Photon Energy N. V. at a 1:1 ratio. The offer was valid for one month from the announcement until its end on 15 May 2013. As a result of this process, MSBV (the Company's owner) increased their ownership interest in Phoenix Energy a.s. to 96.58%.
- On 18 June 2013 the Company assigned a receivable from Photon Energy Investments SK N. V., including interest, from the sale of the Slovak SPVs and Photon Energy Investments CZ N.V. in a total amount of CZK 636,516 thousand to Adria-Faraone Ltd. Subsequently, this receivable was offset against a receivable of Adria-Faraone Ltd from Phoenix Energy a.s. in the amount of CZK 692,110 thousand. The parties agreed that Adria-Faraone Ltd still carries a receivable from Phoenix Energy a.s. in the amount of CZK 56,110 thousand.

As a follow-up to the process of the stock exchange, the Company plans on squeezing minority shareholders out. The squeeze-out process should be finalised in the 3rd quarter of 2013.

Having completed the extensive restructuring in 2012, the intention of the Company's management is to reduce the Company's operation to the smallest extent possible but still believes that these financial statements should be prepared for the Company as a going concern.

in Prague, 28 June 2013



Pavel Kolrus

Chairman of the Board of Directors



Vlastimil Matula

Vice-chairman of the Board of Directors

AUDITORSKÁ A DAŇOVÁ KANCELÁŘ, s.r.o.

Husitská 344/63, PRAHA 3, IČ: 64939090

member of The Chamber of Auditors of the Czech Republic, licence number:

181; registered under C41974 in the Commercial register in Prague

INDEPENDENT AUDITOR'S REPORT

**for the the financial statements of Phoenix Energy, a. s., annual
report and related parties report
for the period ended 31 December 2012**

Phoenix Energy a.s.

Date of the report: 28. 6. 2013



Company Phoenix Energy a.s. with the seat in Praha 2-Vinohrady, U Zvonářky 448/16, PSČ 120 00, IČ:28223250 was founded on 10. 1. 2008. Subject of its business based on Commercial register is production; trade and services not included in the attachments from 1 to 3 of the Trades Licensing Act; constructions realization, their changes and removal and project activities in construction.

Basic capital is equal to CZK 2,300,000.

We have audited the accompanying financial statements of Phoenix Energy a. s., which comprise the balance sheet as at 31 December 2012, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements were prepared in accordance with accounting principles based on the Act on Accounting No. 563/1991, the regulation No. 500/2002 and the Czech Accounting Standards on 28 June 2013. Information about the Company Phoenix Energy a.s. are included in Chapter 1 of the accompanying financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

Phoenix Energy a.s. loss for the financial period of 2011 amounted to CZK 56 million and its equity decreased to negative CZK 38 million as of 1. 1. 2012. Company has not performed any specific steps for resolution of this negative equity.

Phoenix Energy a.s. earned during the financial year operational revenues of CZK 28 million. This result is three times lower than in the previous period of 2011 and if this should be trend also in the future, revenues would not be sufficient for the covering of operational expenses of the Company.

Current liabilities of the Company amounted to CZK 198 million. Current receivables and cash amounted to CZK 150 million and do not cover the total amount of current liabilities. Additionally, CZK 25 million of trade receivables is overdue and there is no allowance created for them.

Based on the above mentioned, assets of the Company are not sufficient for covering the liabilities and any potential negative development in collection of receivables or realization of other assets could have negative impact on the Company's ability to repay its liabilities in the future.

Additionally mentioned facts, such as interest from liabilities, liability to Financial authority and related interest and potential sanctions; represent significant uncertainty for the further future development of the Company's existence, even the accompanying financial statements were prepared on the going concern principle.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Phoenix Energy, a. s. as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic and were prepared accordance with accounting principles based on the Act on Accounting No. 563/1991, the regulation No. 500/2002 and the Czech Accounting Standards on 28 June 2013.

Auditor's report on Annual report

We have also audited the consistency of the annual report with the financial statements described above. The management of Phoenix Energy a. s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.



Auditor's report on Related parties report

In addition, we have reviewed the accuracy of the information contained in the report on related parties of Phoenix Energy a. s. for the year ended December 31, 2012. The management of Phoenix Energy a. s. is responsible for the preparation and accuracy of the report on related parties. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with the applicable International Standard on Review Engagements and the related Czech standard issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of Phoenix Energy a. s. for the year ended December 31, 2012 is materially misstated.

AUDITORSKÁ A DAŇOVÁ KANCELÁŘ s.r.o.

Husitská 344/63, 130 00 Praha 3

Licence Number: 181

Auditor: Ing. Pavel Antoš

Licence Number: 1416

Date: 28.6.2013



Solar Power to the People



PHOENIX
ENERGY a.s.